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What Sara Lee found in the coffee pot
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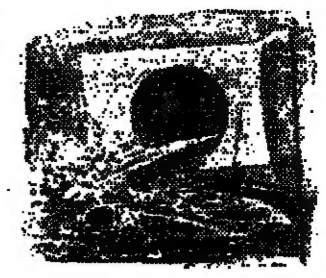
Poisoning scandal that haunts Japan



FINANCIAL TIMES

Friday June 12 1992 — EUROPE'S BUSINESS NEWSPAPER — D8523A

Washington tries to lift its image at Rio Earth Summit

The US yesterday stepped up its diplomatic offensive in Rio de Janeiro as President George Bush left Washington for the Earth Summit, which reaches its climax today.

While Mr Bush repeated in Washington that he would not sign one of the summit's central treaties, on biological diversity, US summit delegates sought to improve their image in Rio, where the US has been largely isolated.

Critical problems remain to be resolved at the summit before more than 100 heads of state arrive. Although delegates were hopeful of an agreement on finance, efforts to reach a deal on a set of non-binding forest principles seemed headed for breakdown. Page 18; Southern discomfort, Page 16; Bush stands firm, Page 6

GM shake-up: General Motors, world's largest car and truck maker, has carried out a disciplinary shake-up of the management of its finance arm over a $400m loan fraud scandal. Page 19

London to host arms talks: US secretary of state James Baker and Russian foreign minister Andrei Kozyrev will meet in London today to try again to agree on deep cuts in nuclear weapons ahead of next week's US-Russian summit.

Slovenia replaces signs of the past

The governor of Carinthia, Christoph Zernatto, prepares to plaster a Slovenia nationality sign over the Yugoslavia plate on a road sign at the Austrian-Slovenian border. UN reaches Sarajevo, Page 3

Air Russia to cost $900m: British Airways, UK national carrier, expects the development of Air Russia, its new Moscow-based joint airline venture, to cost up to $900m. Page 19

Japanese trade surplus soars: Japan's trade surplus continued to surge in May, rising 89 per cent from a year ago to $7.9bn. Page 4

Credit rating blow for UK banks: A deterioration in the balance sheet strength of Barclays and National Westminster, the UK's two largest banks, has led to a further decline in their credit quality, according to Standard & Poor's, the US credit rating agency. Page 19

EFA decision sought: The German aerospace industry is pressing for a decision on Germany's participation in the four-nation $36bn European Fighter Aircraft project. Page 4

US inflation fears: Wholesale prices in the US rose 0.4 per cent in May, the sharpest rise in the past 18 months, reopening the possibility that inflation will revive and damping expectations of further cuts in interest rates. Page 6

MFI publishes prospectus: MFI, furniture retailer which in 1987 was the subject of the largest UK management buy-out seen, published the pathfinder prospectus for its planned reflotation. Page 19; Lex, Page 18

Uni Storebrand profits fall: Uni Storebrand, Norway's leading private insurance company, suffered a sharp fall in profits in the first four months of the year to NKr26m ($4.17m) from NKr437m for the same period of 1991. Page 20

Pilkington cuts dividend: Pilkington, UK-based glassmaker, slashed its dividend and warned it could see no sign of a recovery in trading conditions. Page 20; Lex; Page 18

ING profits advance 8.8%: Internationale Nederlanden Group, Dutch banking and insurance company, reported a rise in first-quarter net profits of 8.8 per cent to Fl 358m ($200m). Page 20

Sotheby's shares for sale: Alfred Taubman, chairman of Sotheby's Holdings, is to sell 8m of his shares in the auction house. Page 19

Threat to Bond Corp: The financial reconstruction of Bond Corporation Holdings, formerly run by Alan Bond, the jailed Australian entrepreneur, has been threatened by the withdrawal of Australian Consolidated Investments from the management committee overseeing the scheme. Page 21

Sony breaks Mini Disc silence: Sony, Japanese electronics group, is preparing for the launch of its Mini Disc, an 8cm recordable compact disc which it hopes will capture the portable music market, valued at $10bn. Page 21

WBC founder dies: The Mexican-born founder of the World Boxing Council, Ramon Velazquez, has died in Mexico City, aged 96.

STOCK MARKET INDICES

FT-SE 100:	2,614.1	(−22.0)
Yield	4.69	
FT-SE Eurotrack 100	1,162.52	(−12.06)
FT-A All-Share	1,268.24	(−0.8%)
Nikkei	17,709.85	(−33.82)
New York: lunchtime		
Dow Jones Ind Ave	3,334.40	(−33.82)
S&P Composite	407.19	(−0.06)

US LUNCHTIME RATES

Federal Funds:	$3\frac{13}{16}$%
3-mo Treas Bills: Yld	3.725%
Long Bond	$101\frac{2}{32}$
Yield	7.881%

LONDON MONEY

3-mo interbank	10%	(same)
Liffe long gilt future:	Sep 98 $\frac{1}{2}$	(Sep 97 $\frac{3}{4}$)

NORTH SEA OIL (Argus)

Brent 15-day (July)	$21.25	(20.95)

Gold

New York Comex (June)	$340.5	(337.9)
London	$338.35	(338)

STERLING

New York lunchtime:		
$	1.8495	
London:		
$	1.846	(1.8335)
DM	2.915	(2.92)
FFr	9.82	(9.8325)
SFr	2.64	(2.6625)
Y	234	(233.75)
£ Index	92.7	(same)

DOLLAR

New York lunchtime:		
DM	1.578	
FFr	5.314	
SFr	1.4312	
Y	126.3	
London:		
DM	1.5785	(1.593)
FFr	5.32	(5.3625)
SFr	1.4385	(1.4525)
Y	126.7	(127.55)
$ Index	62.4	(62.8)
Tokyo close Y 127.28		

Austria	Sch30	Hungary	Ft182	Malta	Lm0.60	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3900	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs36	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr8.50	Kuwait	Fils 500	Poland	Zl 19,000	UAE	Dh9.00
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

Russians open archives harmful to Gorbachev

By Leyla Boulton in Moscow

THE RUSSIAN government yesterday began publishing a selection of documents intended to discredit the Communist Party and Mr Mikhail Gorbachev, the former Soviet leader.

The country's communist party archives, thrown open in March for the first time in 74 years, are being gradually declassified.

Mr Rudolf Pikhoya, chairman of the State Committee on Archives, says the reading-room catalogues alone are enough to incriminate the Communist Party because they illustrate the party's extensive control over whole aspects of Soviet life "in violation of the constitution".

Displaying the obsessive attention to detail characteristic of communist archives opened in other parts of the former Soviet bloc, the millions of files (including 28m identity cards of party members) depict a fascinating picture of how the system worked.

Mr Mikhail Poltoranin, the information minister, has claimed that the documents he is releasing, ahead of a July 7 trial of the party, will show how Mr Gorbachev prolonged the Afghan war by five years, during which he sold 200 tonnes of gold, diamonds and other treasures to buy supplies.

"The materials we will publish will make the world tremble with indignation," Mr Poltoranin said earlier this week. He also promises to produce documents next week showing that the party supported terrorist groups until it was banned last year.

The 30m files in the Central Committee Archives, all marked "secret", "top secret" or "classified", range from the banal to the potentially sensational, from Lenin's Jewish origins to Soviet foreign policy secrets.

They show, among other things, that Dr Armand Hammer, the prominent US businessman and philanthropist with close Russian connections, transported funds from the Soviet Union to help set up the US communist party in the 1920s.

One of a series of recent files made available to the Financial Times contains, alongside plans to celebrate the 70th anniversary of the Austrian Communist Party, a 1988 shopping-list from the Sandinista regime in Nicaragua asking Moscow for 200 cars, thousands of tonnes of steel, hundreds of spare parts and radio and video equipment.

Apart from their historical significance, the archives are playing centre stage in a fierce battle for survival by the Yeltsin

Continued on Page 18

THE BIG LIE
Inside Maxwell's empire

The Robert Maxwell story is one of the most extraordinary of recent years - and culminated in one of the biggest frauds this century. Six months after his death in the sea off Gran Canaria, new evidence emerges daily of the extent of his deception. He was a larger-than-life tyrant who, even in death, still dominates the headlines.

The FT has consistently led with these revelations. Tomorrow, in the Weekend FT, and throughout next week, a major six-part series unravels the Maxwell fraud and provides a unique insight into his business, his family and the man. A team of writers, led by Bronwen Maddox, has interviewed over 150 people in 13 countries to uncover the full story of how Maxwell fooled associates, bankers, pension trustees and regulators.

German government at odds with Länder on constitution

Maastricht ratification deadlocked

By Quentin Peel in Bonn

THE GERMAN government and the country's 16 federal states have reached virtual deadlock in their negotiations to change the German constitution to clear the way for ratification of the Maastricht treaty on European union.

Germany, prime mover behind the drive for European political union and a single currency, now faces uncertainty and long delays in its own ratification process, leading participants in the negotiations said yesterday.

At the heart of the dispute is a disagreement about the federal nature of the republic and control over its foreign policy.

At stake is how far the states will be given an effective veto of any future transfer of sovereignty to European Community institutions, and how far they will be given co-decision-making rights with the Bonn government on EC legislation.

Senior German officials accuse the states of seeking to turn the country into a loose confederation; a charge rejected yesterday as "absurd and unhelpful."

The demands of the 16 Länder have alarmed EC member-states, which fear that a new level of prevarication and complication may be created for EC decision-making. The demands are also being resisted by the German Foreign Office and the country's foreign policy establishment.

The fears are that no agreement will be reached in the negotiations before the summer break; that the entire treaty ratification process will be delayed; and that this would give further opportunities for the anti-Maastricht lobby to exploit increasingly sceptical public opinion.

The main popular concern about the treaty is the prospect of losing the Deutsche Mark in favour of a single European currency. On that issue, the states are demanding that the steps to economic and monetary union (Emu) should not be automatic.

Mr Theo Waigel, the finance minister, yesterday underlined the sensitivity of the currency question by denouncing criticism by more than 60 economics professors. He insisted that Germany would not agree to any watering down of the economic convergence criteria, such as control over inflation and deficit spending, before taking the final steps to Emu.

The professors published a public declaration yesterday, warning that the process to Emu was too fast, too open to political manipulation, and unnecessary economically for the existence of a single European market.

The prime concern of the Länder, however, is the constitutional issue of curbing the powers of Bonn.

The next possibility for an agreement will be the June 25 meeting of the constitutional committee formed by both the two houses of the German parliament, ie. the Bundestag and Bundesrat.

A working group bringing together the federal and representatives of the states has abandoned efforts to bridge the gap. The main problem is that the government side cannot agree on a common line, because the Foreign Office, backed by the Chancellor's Office, is opposed to any dilution of control over EC policy-making.

Mr Florian Gerster, European affairs minister for the state of Rhineland Palatinate, said yesterday that the 16 states were in close agreement on their strategy.

French Senate backs treaty ....Page 2
Tory row continues ....Page 9

Ross Perot, seated next to his image on a monitor screen, during his appearance on a TV show

Perot faces moment of truth at hands of talk show caller

By Jurek Martin in Washington

MOMENTS OF political truth do not often happen on sunny Thursday mornings in June, but there is no reason why they should not. One may have happened to Mr Ross Perot just after eight east coast time yesterday.

The prospective independent candidate for the White House had breezed through the first hour on Today, NBC TV's breakfast time show, taking calls from the public and some questions from Katie Couric, the presenter.

He had happily agreed to blast away for an extra hour, intent on upsetting the establishment apple cart.

Then an obviously elderly woman asked a seemingly innocuous question: Mr Perot did not really want to take away social security benefits from retired people with incomes of more than $80,000 a year, did he?

The Perot response was, to put it mildly, involved. It began with an accusation that the Bush administration was maligning him, it digressed into a discussion he had had four years ago with "a prominent national economist" about 1988 figures which now needed updated computerised number crunching. It wandered into the fact that he was wealthy enough himself not to need social security, it invoked the spirit of hope in the musical Annie, and it said old people were always making sacrifices for the young.

At the end of which, the little old lady, asked by an apparently bemused Ms Couric if she was satisfied, bravely said; "I don't think he really answered the question."

This set Mr Perot off again on the same tack. "If people say 'I've got mine and the heck with you' then we're all sunk." But his eyes had narrowed and he did not look pleased that someone who was not a professional journalist had dared to demur from what he had himself proclaimed to be the self-evident truth.

Talk-and-celebrity show appearances are now de rigueur for political candidates. Governor Bill Clinton of Arkansas is doing it all the time and this week the White House confirmed that President George Bush had agreed to appear on two such programmes,

Continued on Page 18

Brussels' commissioner says decentralise some EC power

By David Buchan in Brussels

THE EUROPEAN Commission should propose handing certain centralised powers back to European Community member-states to demonstrate that the commission is not "a body wanting power for its own sake", Sir Leon Brittan, commissioner for competition, said yesterday.

Trying to stem the tide against the Maastricht treaty, Sir Leon suggested that he and his fellow members on the EC executive should ask the Council of Ministers to repeal legislation "where it has gone too far or has achieved its original purpose and is no longer needed."

Last week's Danish referendum rejecting the treaty has led to growing scepticism about European union and highlighted particularly the question of how much power should be vested in community institutions.

However, Sir Leon, who was speaking in Florence, had only two pieces of legislation to propose for possible repeal. He suggested that EC norms on drinking water had served their purpose by "raising consciousness and acting as a catalyst" and could now be handed over to national parliaments to supervise and maybe amend. He also questioned whether the common EC passports were necessary.

The speech was the first time a commissioner has gone beyond urging legislative self-restraint on Brussels to propose a repeal of redundant EC laws and rules.

The speech also shows the increasing feeling in Brussels, as well as in Britain, which takes over the Council of Ministers' presidency next month, that the only way to save the Maastricht treaty may be by emphasising "subsidiarity", or states' rights.

In the run-up to the fateful Danish referendum, Mr Jacques Delors, Commission president, had been casting around in the environmental field for a way of showing his belief in subsidiarity. But he failed to come up with a solid proposal – like Sir Leon's (which does not have the formal backing of the full Commission) – in time to influence Danish opinion.

Sir Leon said he was responding to the widespread feeling that the community was a one-way-street, funnelling power towards the centre.

He maintained that the Maastricht treaty contained had an adequate subsidiarity clause which urged action or legislation at the lowest effective level of government and which could, over time, be enforced in national courts.

CONTENTS

NEWS: EUROPE

UK urges EC to avoid crisis in frontier checks

By Andrew Hill in Lisbon

MR Kenneth Clarke, the British home secretary, yesterday urged his EC counterparts not to make a crisis out of the UK's refusal to remove frontier checks on EC citizens.

The European Commission last month levelled the threat of legal action at Britain and any other EC member which did not abolish all controls by January 1.

But Mr Clarke told fellow interior ministers at a two-day meeting in Lisbon they should not elevate the border controls issue into a "legal battle" - especially at a time when the Danish vote against Maastricht had raised much larger problems for the Community.

"I don't believe you can create the European Community on the basis of legalisms," he said after yesterday's session on immigration.

Britain is alone in actively wanting to retain controls, arguing that they are essential if non-EC travellers are to be properly monitored. Other countries such as Denmark and Ireland also have difficulties because of existing passport unions with the Nordic states and the UK.

After talking yesterday to Mr Martin Bangemann, the EC's internal market commissioner, Mr Clarke said he thought the issue would be resolved through political discussions during the British presidency which begins next month.

However, he did not say how a compromise might be reached, and reiterated that Britain did not see January 1 as a firm deadline for lifting controls.

"We don't think we are under any obligation about lifting border controls, but we are quite happy to minimise inconvenience for EC travellers," he said. "We are not going to compromise our system of immigration controls."

Only Greece, Portugal and Luxembourg seem to back the Commission's legal approach wholeheartedly. Most other countries recognise there are practical difficulties in applying the Brussels hardline interpretation of the 1986 Single European Act, which defines the internal market as "an area without internal frontiers".

● Portugal – which holds the EC presidency – was yesterday trying to persuade Spain to sign a convention strengthening the Community's external frontier.

The Spanish have been blocking the convention for more than a year because of the continuing dispute with the UK over how Gibraltar should be treated.

National officials said yesterday that although the convention was interior ministers' responsibility, the problem was more likely to be resolved at the level of foreign ministers.

Subsidiarity the 'in word' after Denmark's No-vote

Europe dances to a new tune

By David Gardner in Brussels

FOLLOWING Denmark's spanner in the Maastricht Treaty's works, there is no doubt that the Euro-melody of the month is "subsidiarity," and that European Commission and national officials are vying to see who can sing the best descant. But not everbody gets the tune right.

Subsidiarity means the Community should keep out of decisions better taken at a national or regional level. So magic a word is it that the incoming UK presidency of the EC suggests spelling out what it means in a bid to help resolve the treaty crisis.

In Strasbourg on Wednesday, Commission president Jacques Delors pinned his colours to the subsidiarity mast, and no Commission official will discuss cod quotas or capital adequacy without detailed exegesis of this purported recipe for reconciling European people with Eurpean Union.

In Luxembourg on Tuesday, for instance, a somnolent meeting of EC fisheries ministers jerked into life, when they were told they had agreed that "in general" member states would be responsible for ensuring their fishermen did not cheat on quotas. "In general"-ism is out; the Vikings are razing weasel words from the Euro-record.

Yesterday, transport commissioner Karel Van Miert announced new plans to integrate Europe's transport systems, a key component of Maastricht.

His presentation was,with ostentatious genuflections to subsidiarity, part of the now daily spectacle of Brussels pulling in its horns.

"What I do want to say is that no decision has been taken to carry out this work," he said.

"That is up to the national authorities. What we are supplying is the framework."

Or: "If you want to go ahead with motorways, would you please take into account this framework, which will be of benefit to the whole Community."

It was all going well, saying please and all, until one ecologically-correct questioner asked whether sponsoring motorways wasn't a slap in the face to the Rio Earth Summit.

Mr Van Miert patiently explained that the poorer, "cohesion" countries – the southern states and Ireland – could not reasonably be denied their wish for German-style motorways.

"It would be unfair to cohesion countries like Denmark..." the commissioner went on: "Sorry, sorry," he stuttered to tumultuous laughter; "a slip of the tongue."

Quite.

French Senate backs treaty

By Ian Davidson in Paris

PROSPECTS for French ratification of the Maastricht treaty strengthened sharply yesterday when a Gaullist attempt to reject it outright was defeated in the Senate by a comfortable margin.

All 91 Gaullist senators, as well as all 16 Communist senators, voted to throw out the Maastricht treaty without further debate, but their motion was defeated by 196 votes to 120. Detailed voting on the necessary revision of the French constitution will now resume in the Senate next Tuesday.

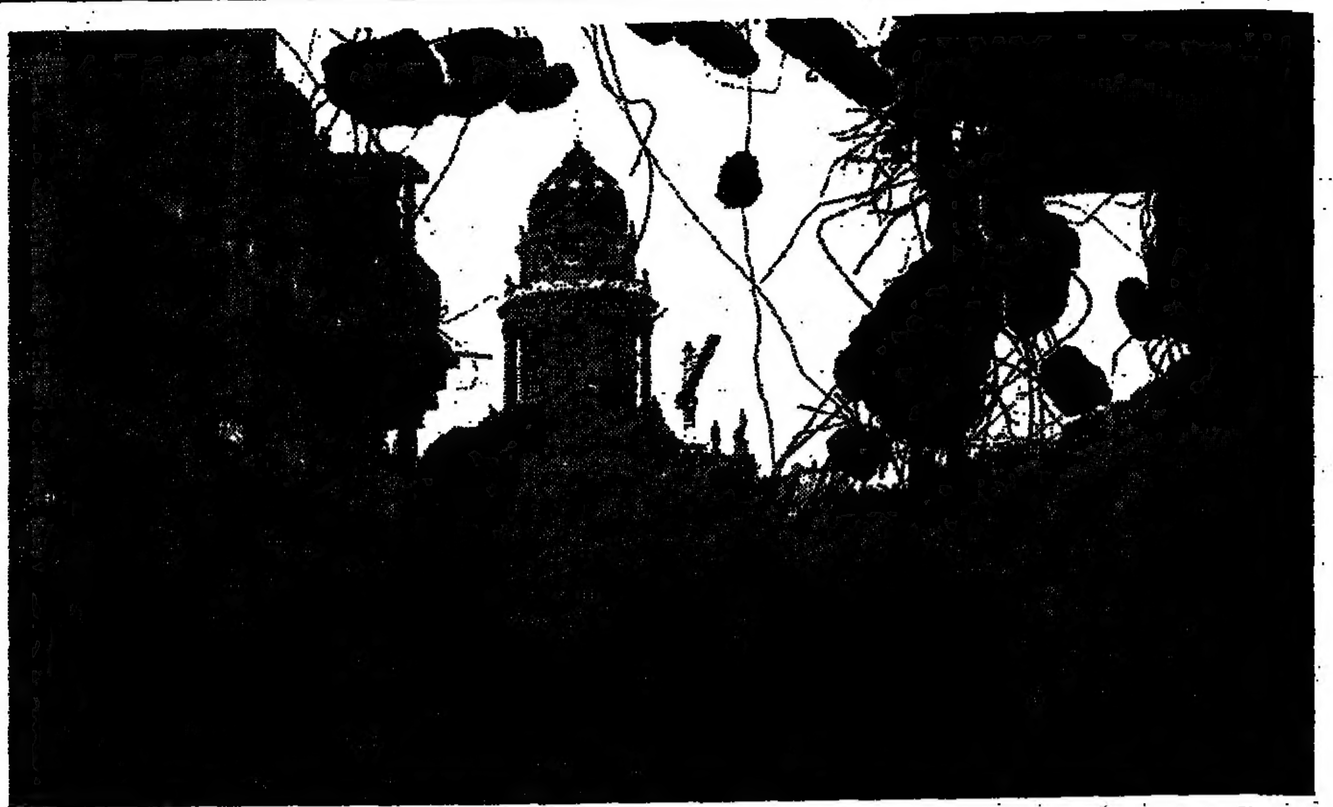
The Senate vote is particularly encouraging for the government, because it indicates that there is still a clear parliamentary majority in favour of the Maastricht treaty, despite the destabilising effects of the No vote in the recent Danish referendum.

Following last month's vote in the National Assembly, yesterday's preliminary vote in the Senate indicates that the government can probably count on the various majorities it requires for revising the French constitution.

Before ratification proper, which is scheduled to take place in the autumn in a popular referendum, the National Assembly and the Senate are both required to revise the Constitution, first in separate votes and then in a joint sitting of the two houses of parliament.

The joint sitting of the two houses, in a so-called Congress, requires a three-fifths majority for final revision of the constitution. Yesterday's Senate vote of 196 in favour of Maastricht, coupled with last month's National Assembly vote of 398 in favour, give a combined total which is comfortably over the required three-fifths threshold.

At the same time, the Senate vote shows that the Maastricht debate is continuing to deepen the split between the Gaullists and their normal allies



A half-finished shopping centre on Friedrichstrasse, east Berlin, has been shunned by investors and will be demolished

Bishops say Maastricht is for life

Tim Coone on the Catholic church's view of Ireland's referendum

IRELAND'S Catholic church this week fired the first barrage from its moral artillery in the country's referendum on the European's Community's Maastricht treaty to be held next Thursday: it brushed aside the economic and political issues of the proposed accord on closer economic and political union and homed straight in on abortion.

A million copies of a four-page statement by the Catholic Bishop's Conference, entitled The Maastricht Referendum and Some of its Implications, said: "The substantive and fundamental issue is the right to life of the unborn child....

"We are firmly of the view that the opportunity must be given to the Irish people to restore the constitutional guarantee of the right to life of the child in the womb. It is our view that the only effective way of doing this is by a new pro-life amendment [to the Irish Constitution]. If the Maastricht Treaty is approved however, there must be a degree of uncertainty concerning the effectiveness of such an amendment," say the bishops.

Their reasoning is that despite the 1983 right-to-life constitutional amendment, which was designed to make watertight Ireland's ban on abortion the recent supreme court ruling concerning a 14 year-old rape victim, which permitted her to travel to the UK for an abortion, also established that abortion was legally permissible in Ireland under certain circumstances. Ten years of crusading by the Church and the anti-abortion lobby were thus undone by that ruling and has thrust abortion to the forefront of the Maastricht debate.

The Bishops' statement says rejection of the treaty would also leave the abortion issue unresolved and that voters are therefore faced with a dilemma. They themselves must decide which result will give greater guarantees of protection for the unborn.

The Yes camp immediately interpreted this as meaning that the abortion issue was thereby effectively sidelined in the debate. The anti-abortion lobby says the bishops' arguments justify a No vote.

In effect the church hierarchy has opted not to position itself publicly on the treaty but has provided the ammunition for the moral shock troops of organisations such as the Pro-Life Campaign, the Society for the Protection of the Unborn Child and the Youth Defence organisation to campaign for a "No" vote. All three are identified in the public's eye with the Catholic Church.

Individual priests around the country have also been advising their congregations to vote against the treaty. According to a church spokesman: "Priests are citizens as everyone else and as such are entitled to their opinions, but in the main will be expected to remain within the limits of the Bishops' statement."

Mr Bertie Ahern, the Irish finance minister, has singled out his British counterpart, Mr Norman Lamont, for criticism over the disagreement that surfaced this week between EC finance ministers on the Delors II budget package, writes Tim Coone.

In an interview yesterday he said: "I understand the arguments of those countries that want to see greater transparency in the use of EC funds, and Germany's problems over the reunification process. But I have less sympathy and understanding for Britain's position in opposing the increases in the EC budget.... I don't think Mr Lamont believes in the idea, accepted by everybody else, that a wealthier community and an expansion of trade will be more readily achieved by a redistribution of resources between member states".

The Irish government's campaign to secure a Yes vote in the referendum has suffered a big setback as a result of the EC finance ministers rejecting the Delors package, which provides for increased funds for Ireland.

Italian leaders fail to agree on new PM

By Robert Graham in Rome

PROSPECTS for quick agreement on the formation of Italy's 51st post-war government faded yesterday when it was announced that President Oscar Luigi Scalfaro would need more consultations with political leaders.

Mr Scalfaro began consultations last Thursday, hoping to be in a position to ask someone to form a government by the end of this week. However, he has found the parties in an unprecedented state of disarray, with none of their leaders offering mutually acceptable guidelines.

The president has to nominate a politician capable of mustering a majority in the fragmented legislature left by the April 5 elections. The field of potential candidates for the premiership remains wide open. The most controversial choice tested by the new president was that of Mr Bettino Craxi, the Socialist leader. Mr Craxi was prime minister from 1983-87 and is recognised as a skilful politician.

With his image seriously damaged by his known friendship with key figures in the Milan corruption scandal, all the parties were cool about the idea of Mr Craxi leading the next government – including his supposed allies, the Christian Democrats.

The two parties fought the April elections on the same platform, proposing a renewal of the outgoing coalition with their minor allies, the Liberals and Social Democrats. Mr Craxi still believes this coalition possible on the basis of a narrow parliamentary majority with 48 per cent of the vote. The Christian Democrats are less than enthusiastic and sufficient numbers of the party are willing to sabotage such a deal if attempted.

As demonstrated in the recent parliamentary vote for the new president, broad alliances have to be sought looking beyond the outgoing four-party coalition. The next government to be credible requires broad-based support.

Lafontaine survives censure vote

By Quentin Peel in Bonn

MR Oskar Lafontaine, deputy leader of Germany's opposition Social Democrats (SPD) and premier of the Saarland, yesterday survived a vote of no confidence in his state parliament by 29 votes to 21.

He had rejected charges of self-enrichment, for claiming a full pension as former mayor of Saarbrücken from the age of 42, on top of his ministerial salary, as a "dirty smear campaign."

The Saarland assembly split on straight party lines, with all the SPD members backing their leader, but the affair has left Mr Lafontaine, who was candidate for German chancellor in 1990, with his national reputation in tatters.

The other result has been an upsurge in public interest in all the perks, pensions and privileges of their politicians, and calls for an independent inquiry into salaries in the Bundestag in Bonn.

Paris criticises US over Thomson deal

THE Paris government yesterday voiced concern over US resistance to the planned takeover of the missiles division of LTV, the steel and industrial group, by Thomson-CSF, the French state controlled defence electronics company, writes William Dawkins in Paris .

Mr Michel Sapin, the finance minister, said he hoped that US desires to protect strategic military independence would not be used "as a pretext to hamper an operation of industrial value for the companies concerned and for the American economy". This is the first official sign of French anxiety over a potential irritant to relations with the US. A New York bankruptcy court two months ago accepted a $450m for LTV's missiles and aircraft divisions from Thomson-CSF and the Carlyle Group, a US merchant bank.

Later, the committee of foreign investment in the US opened an inquiry on the security implications, after the deal was criticised in Congress.

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Workers of the world unite with managers

John Lloyd analyses the post-Soviet industrial order

THE FIRST visible sign of economic change in Russia has been the addition to the cabinet in the past two weeks of three figures all drawn from the Soviet industrial past. None comes with the label of rank conservative tied round his neck.

However, they are all from "industry"; and the economic radicals around Mr Yegor Gaidar – until this month the sole first deputy prime minister – have in the first part of this year seen the industrial lobby as precisely the force they must break. Now, far from being broken, that force is in the cabinet.

One, Mr Vladimir Shumeiko, a former plant manager and deputy chairman of parliament, has been put into the cabinet as a first deputy prime minister, equal in status to Mr Gaidar; another, Mr Georgy Khizha, a former St Petersburg defence plant manager and city adviser, is now a deputy premier; the third, Mr Victor Chernomyrdin is now head of the vital energy sector – and was the Soviet gas minister.

Mr Shumeiko is an often-professed supporter of reform, and Mr Khizha worked with Mr Anatoly Chubais, the privatisation minister, on privatisation in St Petersburg. The three ministers' presence there is proof of industry's success in counter-attacking against the charge Mr Gaidar led against them. At first demoralised by the effects of the price rises, the curbing of credit and raising of interest rates, industry has since March used its economic and political strength to increasingly good effect.

It has in Mr Arkady Volsky, the chairman of the Russian Union of Industrialists and Entrepreneurs, the most adroit political survivor in Russia – a man who, starting from a base as communist party secretary in Moscow's Likhachev car plant, was able to turn himself from an adviser under Andropov to a senior counsellor under Gorbachev, and most recently to a post-Soviet industrial baron.

Mr Volsky has for the past three months steadily opposed the market liberalism of the Gaidar government (while all the time performing his continued attachment to reform in general) – claiming in an interview with the trade union newspaper Rabochaya Tribuna on March 31 that production was on the verge of unstoppable decline and hinting that – were policies not to change – workers and managers together could paralyse the country with industrial action. In the last two weeks, Mr Volsky and his colleagues have formed a new political party, called "Renewal" dedicated to the support of a strong state and a viable industry – a further fragmentation of the political scene, but likely to be the powerful fragment.

A union between managers and workers against the government well expresses the realities of the post-Soviet industrial order. There is as yet no real differentiation of interest: at the top, Mr Volsky can and does team up with the trade union leadership to make vague but real threats: at plant level, managers see themselves as slightly better paid members of the work collective, with no experience of firing workers and no desire to do so. The reaction of the managers to macroeconomic reform has not been to adapt at the micro level by raising efficiency, cutting prices and staff. On the contrary, encouraged by Mr Volsky and other influential leaders, it is to blame the government for the nature of the reform, and to do nothing.

For these people, production has been and remains everything: they make little distinction between tanks and pocket calculators. Yet, as Professor Jeffrey Sachs, the government's main economic adviser, said on Monday: "This remains the great fallacy of socialist thinking: the idea that sheer material output is all that counts. The services which make up 50 per cent of the advanced countries' economies don't even get a mention."

Mr Gaidar and his team are on Professor Sachs' side of the argument: indeed, Mr Gaidar told Izvestia last week that he would not save bankrupt enterprises from deserved oblivion. But even before he welcomed his new colleagues to the cabinet table, he had been forced to make concessions.

- An extra Rbs200bn has been promised to industry, and Rbs120bn to the oil sector.
- Energy prices will not be freed for some time, perhaps not this year.
- Taxes are set to be lowered in the latter half of the year.
- Money printing is being speeded up to meet the demand – backed by threats of industrial action – from workers to be paid.
- Privatisation has suffered long delays, most recently at the hands of deputies who refuse to pass laws allowing privatisation and bankruptcies.

There is an argument, now being hopefully rehearsed by the international financial community in Moscow, which puts an optimistic gloss on all of this. It holds that the new ministers will soon see the unreality of their early calls for tax cuts and extra credits: that Mr Gaidar remains the boss under a still-committed president; and that Mr Georgy Matiukhin, the central bank chairman whose resignation was rejected by parliament last week, has by being confirmed in office strengthened the bank's position on high interest rates and tight credit.

Against this, there is the view that holds that the salient opened up in the cabinet by the industrialists have blunted the reform edge and that now, the best that can be hoped for is a series of half measures.

No-one, not the most dedicated expert, has been able to discover what the budget deficit is: they do not even know if the government knows. Thus, says one: "It could be any figure between nought and 20 per cent of GNP." Most Russians are convinced of the pessimistic option: the foreign experts here, looking for the silver in the lining, try to believe the first. Neither can know – for the main players themselves are locked in a struggle whose outcome is of the first importance, but is unforeseeable.

War casualty: the body of a woman lying in a street in the centre of Sarajevo yesterday as a car speeds past to avoid sniper fire

Serbs allow UN convoy into Sarajevo

By Judy Dempsey in Belgrade

SERBIAN irregulars yesterday finally allowed a United Nations convoy to enter the besieged Bosnian capital of Sarajevo in a move which could lead to talks on the re-opening the airport and a resumption of food supplies to the starving inhabitants.

The convoy left Belgrade, the Serbian capital, on Wednesday morning. But that night it was forced to take refuge in a barracks on the outskirts of the city after Serb forces prevented UN officials based in Sarajevo from escorting it into the centre.

"Now that it [the convoy] has arrived, we have to try to demilitarise the region around the airport which is held by Serb irregulars," a senior UN official said yesterday. He added that it would be "extremely difficult" to achieve this.

UN officials said there was a lull in the fighting around most of the city. "But it can flare up at any time. We just have to keep talking and keep negotiating so as to feed the starving people of Sarajevo," a UN official said. The arrival of the convoy coincided with fighting in Mostar, the capital of Hercegovina, western Bosnia, where forces from Croatia yesterday forced out Serb irregulars.

Zagreb and Belgrade radio reports confirmed that Croatian forces were consolidating their grip on this swathe of territory.

Bush wary on Bosnia task force

By Jurek Martin in Washington

PRESIDENT George Bush, saying that "we're not the world's policeman", yesterday sought to discourage speculation that the US was actively planning military intervention in Yugoslavia.

In impromptu remarks before leaving for the Rio earth summit, Mr Bush said: "We will do what we should do, but I'm not going into the fact of using US troops."

Expressing concern about the situation in Yugoslavia, he promised "to safeguard human life" and to work closely with the UN.

Yesterday the Washington Post had reported that the administration was now reluctantly considering options whereby American troops could be used to assist in humanitarian operations.

There has been some groundswell of support in Congress for action to stop the slaughter. Senator Richard Lugar, the Indiana Republican, warned on Wednesday that the time had come to "draw the line" with respect to Serbia's territorial ambitions, if necessary through co-ordinated military action by the UN and/or Nato.

Japan's May trade surplus up 89% on previous year

By Robert Thomson in Tokyo

JAPAN'S trade surplus continued to surge in May, rising 89 per cent from a year earlier to $7.9bn (£4.3bn), and including the largest year-on-year growth in the politically-sensitive US surplus since 1986.

The announcement of the surplus, which rose in seasonally adjusted terms from $6.9bn in April to $9.7bn in May, follows hard on the release of a controversial report condemning the US and European Community for their unfair trade policies.

Japanese government officials indicated yesterday that they expect the rise in the surplus to prompt renewed demands from other leading industrialised nations for a commitment to stimulate the domestic economy.

A slowing of domestic demand and stirrings of recovery in foreign markets led to a sharp 13.3 per cent fall in imports to $17.6bn and a 4.1 per cent rise in exports to $25.5bn. The 51 per cent increase on the year-earlier surplus was the largest since March 1986.

The decline in imports reflected weaker industrial demand for raw materials and a slowing of consumer purchases of luxury goods.

Exports to the US rose 3.3 per cent to $7bn and imports from there were down 16 per cent at $4.1bn, with the largest falls in imports of raw materials, chemicals, metals and semiconductor equipment.

The country's trade with China continues to expand rapidly, with exports up 21.8 per cent and imports from China 12.6 per cent higher.

The finance ministry, which has consistently blamed the surging surplus on "special factors", conceded yesterday that the slowing of the domestic economy had blunted demand for imports, while external demand for Japanese goods remained strong.

For example, car exports were 10.4 per cent higher, car components, most destined for Japanese-run plants, were up 10.3 per cent, semiconductor equipment showed a 10.7 per cent rise, in sharp contrast to the 18.4 per cent fall in imports in semiconductor parts.

● Stefan Wagstyl adds: A controversial bill to allow Japanese troops to serve on United Nations peace-keeping missions yesterday completed another stage of its turbulent passage through the Diet.

Amid protests from opposition parties, it was approved by a committee of the Diet's lower house and referred to a full session of the chamber which will be held today. The ruling Liberal Democratic Party hopes to take a vote as early as today but the opposition social democratic and communist parties have pledged to delay proceedings through filibustering.

■ Japan's prime minister, Mr Kiichi Miyazawa (right), gives a pat to an MP of his ruling Liberal Democratic Party after the Peace-Keeping Operations Bill passed the Lower House special committee last night

Israel eases forex and investment restrictions

By Hugh Carnegy in Jerusalem

ISRAEL yesterday eased restrictions on citizens holding foreign exchange accounts and investing in futures and foreign securities, the latest move in a gradual relaxation of exchange and capital market controls designed to generate growth and investment.

The announcement by the Bank of Israel came two days after the US ambassador in Israel issued a strong appeal to Israeli leaders contesting the June 23 election to formulate urgent reforms of the government-dominated economy to jolt it out of stagnation.

The Bank of Israel itself has been urging more rapid liberalisation. But the ruling Likud party and opposition Labour leaders have offered few policy proposals despite evidence that the economy is stalling under the burden of mass immigration from the former Soviet Union. Unemployment last month reached a record 11.5 per cent.

The Bank of Israel said that from July 1, individuals could for the first time hold unlimited foreign currency accounts (although restrictions on buying foreign currency with shekels will remain) and buy foreign securities (although corporations will still be forbidden to). Individuals and companies could invest in futures.

Business welcomes new Thai premier

By Victor Mallet in Bangkok

THAILAND'S business community and foreign investors yesterday welcomed the surprise reappointment of Mr Anand Panyarachun, a businessmen and former diplomat, as interim prime minister, but warned that the military were not yet a spent force in Thai politics.

After weeks of gloom and uncertainty, the stock market rose 7.3 per cent on the news, with the SET index rising 49.85 points to close at 737.23. Volume was an exceptionally high Baht 11.56bn (£248m).

"The Anand move will certainly buy time," said a foreign executive of one multinational company.

Mr Olarn Chaipravat, senior executive vice-president of Siam Commercial Bank, said he was "extremely delighted. Now the country's economy will survive".

Mr Anand, who ran the country between the coup d'état in February 1991 and elections in March is expected to appoint a cabinet of technocrats and use his four months in office before new elections to push through much-needed infrastructure projects to relieve congestion in Thailand's transport and communications networks.

General Suchinda Kraprayoon, the previous prime minister, was forced to resign nearly three weeks ago after troops had killed dozens of pro-democracy demonstrators, and the military establishment was further humiliated when their latest candidate for the job, Air Chief Marshal Somboon Rahong, was passed over in favour of Mr Anand at the last minute on Wednesday as he was preparing to celebrate his elevation to the premiership.

Few Thais believe that the armed forces would dare to intervene before the new elections because Mr Anand's appointment was seen to be supported by King Bhumipol Adulyadej, the influential constitutional monarch.

Iranian mullahs see first rumblings of discontent

The country's citizens are still searching for the economic fruits of the revolution, writes Tony Walker

TRAVELLING west of Tehran on a featureless plain towards the Holy City of Qom one's eye is caught by a huge gold-domed structure. On the roadside, as you draw closer, battered signs extol the virtues of Iran's revolution and the privilege of martyrdom.

"We shall stand firm until the last breath and last drop of blood, until we erect the world of Allah," reads one, among several, blood-drenched sayings of Ayatollah Khomeini on display outside a large concrete and metal structure like an aircraft hangar.

This is the shrine of Iran's late spiritual leader. With kebab shops near its entrance, it is a place so tawdry and aspiritual that it is hard to accept that it commemorates one of the more significant figures of the late 20th century. A young man who had come to pay his respects had a point when he muttered: "The old man deserved better than this." On this, the third anniversary of Khomeini's death, Iran stands uncertainly on the threshold of a new era under the rule of President Hashemi Rafsanjani, known as a liberaliser and risk-taker; but the new order seems fragile and so, too, does a Tehran spring in which political constraints have been loosened.

Four-days of rioting last month in the holy city of Mashhad in the north-east were a sign of serious disaffection, and followed disturbances in other centres such as Shiraz, Arak and Tabriz. Not surprisingly, the troubles have drawn calls for a tightening up.

In Mashhad rioters burned down the city hall, the main library and assaulted revolutionary guards, the foot soldiers of the revolution, killing nine. Ostensibly, the riots followed attempts to clear away shanty settlements that have grown up around Iranian cities since the revolution, but it seems there were deeper causes.

While the authorities, predictably, blamed "foreigners, enemy agents and opponents of the Islamic revolution," and also hinted that hardliners routed by supporters of Mr Rafsanjani in recent parliamentary elections had been stirring up trouble, the disturbances were probably due more to deep-seated anger over economic deprivation.

Judging by attitudes in the narrow streets of South Tehran, home to small traders and the less well-off, the regime's popularity could hardly be lower. Asked to comment on the fruits of the revolution, a shopkeeper named Ali said it had "brought nothing but corruption, the destruction of morale especially among the young and widespread drug-taking.

"During the Shah's time," he went on, drawing on a hubble-bubble pipe in a small back-lane coffee house, "policemen did provide a minimum of security. Corruption did stop at a certain level. Now policemen come into my shop and take goods on credit, but they never pay me. I have no reason to be optimistic," he added.

No conversation with an Iranian these days strays far from economic concerns. The poor are becoming poorer, and the middle class, with the exception of the privileged few, is being squeezed by soaring prices. Salaries are barely sufficient to "put bread on the table," as one longstanding acquaintance put it, and few can survive without working two or even three jobs.

In his modern office, an elegantly-dressed Iranian businessman, speaking almost perfectly accented English, noted down figures on a scratch pad which showed, he said, Iran's truly desperate straits.

Earnings this year from oil, which accounts for about 90 per cent of exports, will amount to about $12bn (£6.55bn) against estimated requirements of about $30bn to keep Iran ticking over, let alone taking care of the huge costs of reconstruction following the war with Iraq.

When the Shah left, Iran's population was 34m. Now it has nearly doubled. Financing needs then were about $20bn.

"Frankly, we are in very bad shape," the businessman declared. "There is a lack of foreign exchange. Financially, this is going to be a very bad year. Fourteen years ago we had $28bn in reserves, we had diplomatic relations with the entire world, our warehouses were full and our factories were operating properly with new machinery.

"Now, there is no sign of the $28bn, 4m people have fled Iran, our warehouses are empty and our factories are broken down. Morale is extremely low, and there is bribery at all levels," he said.

"There is no alternative to the rule of the mullahs," he added. "But the only way out of the mess is for the government to be honest with the people of Iran about the economic crisis, to release political prisoners, and to give clemency to Iranians who return."

Last month's troubles in Mashhad and other towns across Iran would seem to carry a warning for President Rafsanjani: that unless he acts fast to deal with the country's economic malaise he runs the risk of seeing his reform efforts engulfed by popular unrest.

Iran has executed four people and condemned five more to death for rioting in the southern city of Shiraz in a fierce crackdown on opponents of the Islamic Republic, according to Irna, the Iranian news agency, Reuter reports.

Irna did not say when the executions took place but its report followed the hanging on Wednesday of four men who were convicted of taking part in riots in the north-eastern holy city of Mashhad last month.

S African minister criticises ANC

Mr Derek Keys, the South African minister of finance and trade and industry, has strongly criticised African National Congress plans for mass action, saying they show the ANC is not yet ready to govern, Philip Gawith reports from Johannesburg.

Mr Keys's comments, delivered at the end of his budget debate in parliament, contrast sharply with his assessment last week of ANC long-term economic policy as pragmatic and the basis for agreement.

Gatt warns Canada on growing US ties

By Frances Williams in Geneva

GROWING concentration of Canada's trade with the US reveals the risks as well as advantages for Canada of the free trade pact between the two countries, a Gatt report warns.

The report on Canadian trade policies, discussed by Gatt's governing council yesterday, says the US/Canada free trade agreement (FTA) has boosted intra-industry trade, promoted investment, encouraged new employment and abolished many protective rules. But it has shown weaknesses in Canadian industry, a large chunk made up of small and inefficient companies.

In the past two years, the US recession has hit Canada's manufacturing strongholds, including the car industry, and contributed to bilateral trade frictions, the report notes. In 1990, 72 per cent of Canada's trade was with the US. The need to avoid over-reliance on US trade had underpinned Canada's involvement in Gatt and the Uruguay Round. Canada sought a strengthened Gatt framework to provide "an external anchor" for regional integration, and to ensure balance between participants.

Canada's recession had been aggravated by developments on world markets for its traditional exports, including grains, timber and minerals. Canada's grain farmers had been devastated by the US-EC subsidies war. Canadian producers had been hit by the entry into world markets of metals exports from the former Soviet Union and Eastern Europe, and world over-capacity in forestry industries.

Gatt members yesterday welcomed Canadian moves to more trade liberalisation, but criticised aspects of policy. They stressed the need for the FTA and the future North American Free Trade Agreement to be trade-creating and consistent with Gatt principles, noting that, in contrast to its push for a more open trade regime for grains, Canada was trying to keep import curbs for less competitive farm sectors.

EC sees signs of hope in farm row

By David Gardner in Brussels

RENEWED attempts by the European Community and US to secure a breakthrough in the stalled Uruguay Round of world trade liberalisation talks are under way, on the basis of the so-called "new ideas" brought into play following last month's reform of the Community's farm subsidies regime.

Some Brussels officials detect a new willingness in Washington to settle the farm subsidies row, in anticipation of problems the US will have in winning an agreement on services and market access, the two other most troublesome areas of the Uruguay Round.

Mr James Baker, the US secretary of state, will take up the talks when he comes to Brussels next week.

Nevertheless, the EC and US remain stuck in apparently close but until now irreconcilable positions on farm subsidies.

On the central US demand that the EC cut its volume of subsidised food exports by 24 per cent, Washington is immovable, a senior Commission official says. Mr Frans Andriessen, the external affairs commissioner, is understood to have offered a 20 per cent cut, with 5 per cent swings within sectors, so that, for instance, in cereals, the EC could export more wheat if it exported less barley.

But the most the US appears willing to accept is to extend the cuts – applicable pro rata to all products – over seven to eight years, instead of the six years stipulated by the General Agreement on Tariffs and Trade (Gatt).

The US also wants to set in concrete the 15 per cent "set-aside" (taking land out of production) in the EC's recent farm regime reform. This set-aside is the condition for farmers receiving compensation payments for big price cuts, and is one of two ways the Community intends to rein in overproduction.

The US would allow these direct payments as non-trade distorting subsidies, officials say, provided overall domestic subsidy was cut by 20 per cent. Mr Ray MacSharry, the EC agriculture commissioner, has demanded that payments linked to production restraint should be totally exempt and open-ended.

Senior officials say, however, that the the US is moving towards a big concession on the EC's demand for a so-called "peace clause", whereby it would desist from unilateral trade sanctions such as the punitive tariffs it is now threatening on EC food exports. This, they say, would take the form of an undertaking to pursue future disputes through Gatt procedures – not the case in the current dispute sparked by the EC's oilseeds regime.

The Irish agriculture minister, Mr Joe Walsh, yesterday called the US ambassador in Dublin to his office "for clarification" over Washington's threat to impose punitive tariffs on a "hitlist" of $2bn of EC food exports, if the EC does not reform its oilseed subsidy regime, writes Tim Coone in Dublin.

More than 10 per cent of the penalties would fall on Irish exports, a highly disproportionate amount given Ireland's small contribution to EC oilseed production and given that its population is just 1 per cent of the EC.

Meanwhile, Mr Ray MacSharry, the EC agriculture commissioner (left), said the US would suffer much more in a trade war with the EC as it had a trade surplus with Europe. "The US and EC should look for peace in international trade and not trade wars," he added.

The punitive tariffs would be particularly damaging for Ireland's dairy processing industry, and for specialised liqueurs, using cream, which feature prominently on the "hitlist".

Russia to lease first western airliners in $400m Airbus deal

By Paul Betts, Aerospace Correspondent, in Berlin

AIRBUS Industrie, the European aircraft consortium, is expected to deliver the first western-built aircraft to Russia next week, after arranging lease financing to support the sale of the five A310 wide-body airliners worth about $400m (£220m).

The aircraft will be delivered to Russian International Airlines, a new carrier formed to operate the five Airbus airliners on long-distance services from Moscow to the Far East, Mr Adam Brown, Airbus director of planning, said. The new carrier is a subsidiary of Aeroflot, the former Soviet carrier now undergoing change following creation of the Commonwealth of Independent States.

Airbus has agreed to assume the financial risks of the leasing arrangements to enable the delivery of the A310s to go ahead after all the national export credit agencies declined to support the deal. Aeroflot originally signed a purchase agreement for the five airliners in 1990 for delivery starting January this year. But the political situation in the former Soviet Union made financing the sale extremely difficult.

Mr Brown said Airbus had now received "full support" from the Russian government, clearing the way for the consortium to arrange lease financing "on reasonable terms". The first A310 is expected to be delivered next Monday and the remaining four by the end of July. Two aircraft have been sitting at Airbus headquarters in Toulouse, south-west France, waiting for the financing to be completed.

Aeroflot had intended to use its first western-built airliners to operate Moscow to New York services. Airbus has also entered into a number of co-operation agreements with the CIS aerospace industry. These include:

- An agreement with the Russia Institute of Aviation Materials (VIAM) to test lightweight lithium-bearing aluminium alloys which could eventually be used more extensively on the new Airbus A330/340 wide-body airliner family;
- A contract with the Russian-British joint venture Heavylift Volga-Dnepr to lease large Antonov AN-124 cargo aircraft to transport equipment between the various Airbus plants in Europe;
- Use of wind-testing facilities near Moscow.

Although no serious discussions have yet started, Mr Brown said Airbus was interested in co-operating on joint production of aircraft with CIS manufacturers aimed primarily at the new aircraft requirements of the CIS market. He suggested the European Bank of Reconstruction and Development could help finance such a venture.

However, he said there was unlikely to be any significant growth in air traffic in the CIS before the turn of the century. "In the short and medium term, traffic within the region is likely to decline as the bulk of the population devotes its limited economic resources to satisfy needs for basic consumer commodities before turning to air travel," he said.

Warning to Bonn on EFA decision

By Paul Betts

THE German aerospace industry is pressing for a decision this month on Germany's participation in the four-nation £20bn European Fighter Aircraft (EFA) project amid growing signs that Bonn could further delay a decision on whether to pull out.

Mr Karl Dersch, president of the German aerospace industries association and a member of the Deutsche Aerospace board, warned yesterday at a Financial Times conference in Berlin of the dire consequences for German industry of a withdrawal from EFA.

Criticising the political pressures threatening German participation in the programme, he said: "The European aerospace industry cannot live with a policy driven constantly by election schedules and party politics in the member countries, resulting in short-term and short-sighted populistic ad-hoc decisions."

He warned Germany could face "another 1945 when all our scientists went away either to the US or to Russia" if the country's aerospace industry did not participate in EFA.

The lack of far-sighted policies risked not only destroying the defence technology competence of an EC member country but also "the entire structure of European security and defence co-operation," he said.

Deutsche Aerospace, part of the Daimler-Benz car group, has said it would have to close at least two of its 14 domestic plants if Germany withdrew from the EFA. Withdrawal would also threaten up to 10,000 jobs at Deutsche Aerospace and another 10,000 jobs at German suppliers.

Mr Dersch and officials of the Dutch Fokker aircraft group said merger negotiations between Fokker and Deutsche Aerospace were advancing.

Deutsche Aerospace, with Aérospatiale of France and Alenia of Italy, is bidding for 51 per cent of Fokker.

US political sands shift under Nafta

Prospects for the free trade deal are no longer so certain, reports Nancy Dunne

JUST weeks ago, the prospects for the North American free trade agreement seemed assured.

The proposed pact between the US, Canada and Mexico had the support of the Republican establishment, of Governor Bill Clinton, the prospective Democratic nominee, of the powerful Texas Democrats on Capitol Hill and most of the Democratic leadership in Congress.

But the outpouring of public disaffection for "politics as usual" has pushed to the forefront of many polls in the US election campaign Mr Ross Perot, the Texas billionaire. His campaign for the presidency is stressing jobs, and he has said a Nafta pact would send jobs to Mexico.

The White House has taken its own polls and remains convinced that President Bush's support for Nafta is a winning issue. Although many working class Hispanic Americans believe Nafta would cost jobs, the Latino business organisations cautiously support the pact.

Under the tightly constrained fast-track procedure – which forces Congress to vote on a trade pact without amendment – it is too late to get Nafta approved by Congress this year. Between retirements and election defeats, one-quarter to a one-third of the House could be new next term, and no one can foresee the prevailing sentiment on trade issues.

The president is expected to stage a high profile initialing of the agreement at the most politically opportune time – either when negotiations finish or after the pact has been sent to Congress.

Politically sophisticated trade lobbyists, like Mr Harry Freeman, executive director of the MTN Coalition, believes the Democrats will use Nafta as a weapon against the president, arguing that he wants to divert jobs to Mexico.

A centrepiece of the opposition will be a letter from the president to the Congress in May 1991, in which he committed himself to action on environmental issues, labour rights and worker adjustment assistance. "Whatever the administration sends to Capitol Hill with Nafta, or if they don't send a complete package in these three areas, the Congressional Democrats will seize upon the deficiency – real or alleged, it doesn't matter," said Mr Freeman.

Governor Clinton is also likely to deem the pact the "wrong kind of Nafta".

The environment/farm/labour coalition opposed to the Nafta has prepared its ground well in the House. It now has 200 signatories to a resolution, introduced by Congressman Henry Waxman and majority leader Richard Gephardt, which warns that they will not support a Nafta that does not have strong environment or food safety provisions. Fifty-seven of the 200 signatories voted for the president's fast-track authority and now may be moving over on the issue.

"There are millions more people who 'get' the Nafta now," said Ms Lori Wallach of Ralph Nader's Public Citizen. "They have been contacted by their local churches, labour unions, farm groups, environmental or consumer organisations. There is a new awareness of its costs and that has come back to their representatives in Washington."

In the Senate, Nafta is threatened by a resolution introduced by Senator Don Riegle, which would permit Congress to amend the agreement in five areas. "If the Riegle resolution gets through," said one business lobbyist, "we might as well kiss Nafta goodbye."

US interest rate hopes hit by price rises

By George Graham in Washington

RISING wholesale prices in the US last month have reopened the possibility that inflation will revive, and have helped to dampen expectations of further cuts in interest rates.

The Bureau of Labor Statistics said producer prices rose 0.4 per cent last month, the sharpest rise in the past 18 months.The rise took the year-on-year wholesale inflation rate from 0.9 per cent in April to 1.1 per cent in May.

While this is still a low increase, it sounds a note of caution to those who have been urging the Federal Reserve to cut interest rates further in order to help along the faltering US recovery.

Advocates of a reduction in interest rates might otherwise have drawn encouragement from the disappointingly weak level of retail sales last month.

The Commerce Department said its advance estimates put May retail sales at $158.8bn, just 0.2 per cent higher than April's $158.5bn – itself revised down from an earlier estimate.

Economists have been expecting indicators of consumption such as retail sales to show slower growth in the second quarter than in the first, but they had still hoped for a more robust performance than yesterday's statistics indicate.

Some analysts, however, commented that the apparent surge in producer prices presented little threat of a rise in inflation.

They pointed out that much of the rise could be attributed to increases last month of 3 per cent in civilian aircraft prices and 7.3 per cent in tobacco products.

But others noted that May's statistics showed the core inflation rate, excluding volatile food and energy prices, rose to 2.8 per cent year on year, after months of stability at 2.4 per cent.

Panamanian demonstrators shouted "Bush, murderer!" as they rampaged on Wednesday night through the square in Panama City being prepared for the US president's speech yesterday. Mr Bush arrived at noon on a brief visit to salute US troops, meet President Guillermo Endara of Panama and make the address. He was to fly on later yesterday to the Earth Summit in Rio de Janeiro.

THE EARTH SUMMIT

Major will pledge action to help Third World

By David Lascelles in Rio de Janeiro

MR JOHN MAJOR, UK prime minister, will be pledging British financial and political support for action agreed at the Earth Summit here today.

He will state to the plenary session Britain's aid contribution to Third World countries to help them overcome their global environmental problems. He will also sign the biodiversity treaty, which is one of the key documents emanating from the conference.

Mr Major will use his 36 hours in Rio for bilateral meetings with other political leaders. These include President Daniel arap Moi of Kenya, Mr Albert Reynolds, the Irish prime minister and Li Peng, the Chinese prime minister, with whom he will discuss Hong Kong.

Mr Major said the summit demonstrated two things: "The importance of the occasion and the fact that so many nations are prepared to come together, often swallowing their own domestic national interests, to try and reach an agreement on matters of importance to the environment."

Mr Major, who has pledged to sign all the summit conventions, said he understood reservations expressed by the US, which has been criticised for refusing to accept a commitment to binding targets for development.

"I realise that some people would like to go further. But this conference is quite unique, 100 nations here seeking to reach agreement. It was never going to be easy."

OIL MAJOR: The PM at a rig in Colombia en route to Rio

Critics suspicious of Japanese motives

A RUMOUR raced through the vast hall of delegates at the summit this week: Japan had promised $100bn in environmental aid to the Third World.

It was quickly denied by the Japanese office in Rio. But the fact that people were prepared to believe in such a staggering sum was no surprise, because Japan has taken a high profile there, and everyone expects it to back this with an offer of hard cash.

Mr Noboru Takeshita, the powerful former prime minister, who is in Rio, says Japan intends to act as "a bridge" between countries to help make a success of the conference. To underscore his interest, he has had his *meishi* (visiting cards) printed on slivers of wood, from a tree downed by a storm rather than a chainsaw.

Tokyo's message has caused a stir because Japan seldom seeks a lead role in global matters. Yet here is clearly an issue for which it is eminently suited. It has made an impressive job of cleaning up its own industrial mess, and it now has the money and technology to transfer that experience to poorer countries.

Even so, summit participants are treating Japan's initiatives with caution because its motives are not clear. It is easy to find reasons why Japan sees its interests threatened by growing concern about the environment. As the world's largest importer of resources, it is vulnerable to measures taken by other countries to protect their natural wealth.

Also, though Japan has instituted tough internal controls to clean up its own land, air and water, it has yet to back its professed concern for the environment with measures to curb its appetite for imported raw materials. Tropical timber and whales are the issues that stir most controversy.

Organisations such as Greenpeace and Friends of the Earth operate in Japan, but on a tiny scale by western standards, and their campaigns have drawn little public response. Japan's clean-up has come through administrative measures rather than pressure from a vocal green lobby, which adds to foreign suspicions that the real driving force behind Japan's environmental diplomacy is its national, and particularly its big business, interests.

Not that there is a shortage of high-minded motives. Dr Shuzo Nishioka, director of the Centre for Global Environmental Research in Tsukuba, north of Tokyo, says: "People here get nervous when they hear others say that Japan has succeeded economically, but that it is not contributing to the world. Countries which get to the peak of their era give the world something: France gave notions of freedom, the US gave the mass-production system. The global environment is a good issue for us to tackle."

The real question is whether Japan is willing to make a sacrifice, in particular to reduce the ravages its industry makes on the raw materials of other countries. As Mr Yu Tanaka of

Tokyo's readiness *to help clean up the* Third World is partly self-interest, reports David Lascelles

Kiki, an environmental group, points out, Japan's imports weigh seven times as much as its exports. The difference is either consumed domestically or goes to waste.

Like many critics, he maintains that Japan has cleaned up its industries only by relocating the worst of them abroad. This accusation is not always convincing. Last year, however, a bill that would have extended domestic environmental regulations to the overseas plants of Japanese companies was dropped by parliament, under pressure from industry. Instead, Keidanren, industry's powerful trade group, has tried to head off environmental regulation by taking a leading role in setting standards itself.

In 1989, Japan took its first big step towards tackling the environmental problems of other countries by allocating a specific sum for them in its Official Development Assistance (ODA) programme. This was Y300bn over three years. In fact, the money was spent in only two years, and Japan is expected to announce the next stage of the programme in Rio.

But even this initiative has attracted controversy. The green groups say much of the money is being spent to sustain Japan's sources of raw materials in other countries by, for example, building access roads, or by teaching countries to grow even more trees for Japanese loggers to cut down. "Japanese aid policies are geared to supporting the activities of Japanese corporations," is the blunt comment from Mr Yoichi Kuroda, of the Japan Tropical Forest Action Network.

This accusation is denied by the Japan International Co-operation Agency (JICA), which administers much of the ODA programme, though officials admit that some of the money is going to repair past damage.

Japan's interest in greenery is also obviously linked to promoting exports of anti-pollution technology. However, poorer countries hope Japan will give it away rather than sell it, posing a further test of Japan's seriousness about the environment.

Mr Nobutoshi Akao, Japan's ambassador to the Rio conference, gives a cautious view: "We know that we have to facilitate technology transfers to resolve the pollution problems of developing countries. But we have to remind people that most of the environmental technology is developed by private companies as a result of heavy investment."

What critics are looking for in Rio is a commitment by Japan to reduce its call on world resources. Rather than spend aid money on Malaysian forest management, it should be trying to reduce timber imports. If it really wants to help other countries it should raise its ODA budget from the present low level of 0.31 per cent of GNP. (Industrial nations have a target of 0.7 per cent, though few have reached it).

On the other hand, Japan has made enough progress in cleaning up its own environment and boosting industrial efficiency to allow it to ask other industrial countries to match it before they criticise.

East Europeans keen to clean up

By David Lascelles in Rio de Janeiro

MEMBERS of the former Soviet bloc are present in Rio in large numbers – not only do they have appalling environmental problems, they also see the occasion as an opportunity to assert their new-found independence.

Many of the erstwhile Soviet republics have come: the Baltic states, Belarus, Ukraine, the Caucasian states and the Russian federation. The former Yugoslav republics of Slovenia and Croatia – as well as Montenegro - are here too. All have agreed to sign all the conference documents.

Their message has been that they accept their environments are in a mess and are acting on it. Some countries, such as Poland, have instituted special measures, like the establishment of an eco-bank. Many of these countries have also made clear they are not trying to wrest money from the rich industrial nations which might otherwise go to help developing countries deal with global environment problems.

However, the former Soviet bloc states have managed to secure the inclusion in conference documents of a reference to the problems of countries "in transition to market economies", which may qualify them for additional access to financial and technological help.

Mr Jacques Attali, president of the European Bank for Reconstruction and Development, gave the conference a sombre warning: "If, in the transition to democracy and the market economy system, all these countries do is copy imported western models they will repeat the mistakes already committed in the West, which is in no position to give lessons to anyone where the environment is concerned."

ON HIS WAY: President Bush leaves Andrews Air Force base near Washington yesterday for Rio

Flower power draws delegates

DIARY

There seems to be more under way in Rio than environmental discussions. Demand for the single roses being sold by Mr Chen Wen Yii of China is running at 1,200 a day. Mr Chen's service, at a few thousand cruzeiros (about $1), enables summit romantics to send a rose to someone inside the conference centre. A label is attached on which the admirer's name and number is written, presumably with the hope of arranging a date. Delegates are obviously finding the need for some light relief from such weighty matters as discussion on atmosphere and International Development Assistance.

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The late nights in the frantic race to resolve the planet's problems are taking their toll. Wednesday night's proceedings broke up at 5am, and the previous night went on to 4am.

Some delegates are no longer bothering to return to their hotels. Red eyes and unshaven chins are the order of the day. Mr Rubens Ricupero, chairman of the finance negotiations, emerged from yesterday's 17-hour marathon with raw elbows from leaning on the table for so long. Mr Jamshed Marker, head of the Group of 77, missed the G77 reception on Wednesday night so that he could grab a quick nap. The conference centre drugstore says it cannot keep up with the demand for vitamin tablets.

Help is at hand for delegates who cannot take the pace, in the form of an environmentally sound Amazonian drug sold on the mezzanine floor of the conference centre. Guaraná, sold in powder or capsule form, is made from a "sustainably cultivated" Amazonian berry, and is guaranteed to revitalise flagging delegates over the next 72 hours of meetings. Described by one delegate as "like injecting pure caffeine", one pill is the equivalent of drinking eight cups of strong coffee. Many Brazilians swear by it and Rio residents samba their way through the week-long annual Carnival with its aid.

Guaraná's lack of side effects has apparently also made it a hit in London nightclubs. Its green credentials make it most suitable for surviving the final days of the Earth Summit.

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A world record for the hotel business may have been set by the Copacabana Palace, a magnificent *belle époque* pile on the Rio seafront. Last night it provided shelter for no fewer than 16 heads of state or government, and it announced the fact by flying their flags along the first-floor balcony.

Its guests included the leaders of China, Jordan, Czechoslovakia, Chile and Belarus, as well as Britain's John Major, who slipped in at 1am. The hotel's *grand entrance* is constantly awash with limousines and police cars with flashing lights, though the atmosphere inside is *surprisingly* relaxed.

Optimism eases Argentina's 10 years of agony

John Barham on a country still pained at its Falklands defeat

TEN YEARS ago on Sunday, Argentina endured the worst moment in its history as its humiliated armed forces surrendered to British troops in the Falkland Islands.

As the Falkland islanders celebrate the event this weekend in the company of former British prime minister Margaret Thatcher, Argentina is still agonising over the defeat.

Despite this, for the first time in years, there is a sense of hope and optimism in the air in Buenos Aires.

Argentina has changed since it sent its forces to recover the islands and now is enjoying a period of unprecedented political freedom and economic growth.

In many ways, yesterday's defeat and today's relative prosperity are closely linked. Defeat not only broke the power of the military and restored civilian rule, it also eroded the power of other groups such as the church, big business and trade unions that had blocked reforms for decades. Hyperinflation in 1989 hastened the end of the corrupt, inefficient state-dominated economy.

When he took office in 1989, President Carlos Menem was forced to introduce what has become one of the world's most radical and most successful free market reforms. Today, Argentina has low inflation, rapid economic expansion and growing international prestige. The economy is set to grow 6 per cent this year and inflation should fall to below 20 per cent from 84 per cent in 1991.

Growth, stability and respectability, as well as overarching objectives in their own right, are also part of the strategy to win control of the Falklands. Recovering the Falklands remains a national aspiration that no government can ignore. Only last week, Mr Menem repeated earlier statements that Argentina would peacefully establish sovereignty over the islands "by the year 2000".

di Tella: recognises islanders' rights

Argentine diplomats argue that as their country becomes a respected member of the international community by creating a stable, prosperous and democratic system open to international trade and investment, the Falklands' rejection of ties with Argentina – culminating in full integration – will therefore appear increasingly unreasonable.

The architect of Mr Menem's foreign and economic policies is Mr Domingo Cavallo. He became foreign minister in 1989, when he established Argentina's pro-western foreign policy. In 1991 he became economy minister, creating a convertible currency and bringing much-needed energy and coherence to Mr Menem's flagging reforms.

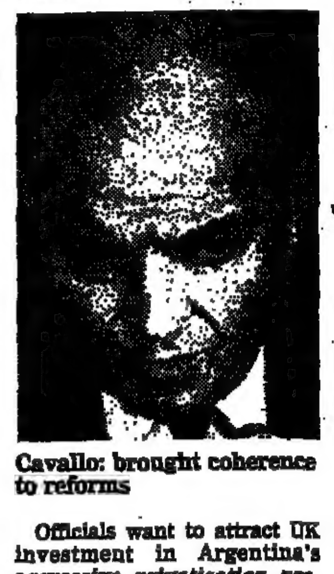
Argentina not only restored diplomatic relations with London in 1990. It has submitted to American pressure to scrap the controversial Condor II ballistic missile project and abandoned exports of sensitive missile and nuclear technologies. It has applied for membership of the 24-member industrial-nation Organisation for Economic Co-operation and Development and rarely misses an opportunity to join in United Nations peacekeeping missions.

In return, it has won crucial backing from the US and other G7 countries in the International Monetary Fund and World Bank.

Talks with London over the Falklands have moved on from sterile bickering over sovereignty to mundane, but more productive discussions over fishing rights and oil exploration regimes. Meanwhile, both sides have simply agreed to disagree over the underlying issue of sovereignty.

Mr Guido di Tella, the foreign minister, has even gone so far as accepting the importance of recognising the islanders' rights, rather than their interests – an important distinction which demonstrates an Argentine willingness to compromise.

Another important strand in the intertwining economic and foreign policies is Argentina's courtship of British trade and investment. Britain's exports are set to double this year from about £70m ($127.4m) in 1991, while Argentine exports should remain stable at about £140m. Bilateral trade is still to reach the level at which it stood in 1981: £298.1m.



Cavallo: brought coherence to reforms

Officials want to attract UK investment in Argentina's aggressive privatisation programme. Furthermore, privatised utility companies are expected to invest heavily in upgrading the collapsing infrastructure, making Argentina a promising market for everything from railway equipment to power generators.

Buenos Aires believes that growing British exports and investments will help reduce the Falklanders' suspicions of all things Argentine. They also hope that British companies with business in Argentina could counteract the highly effective anti-Argentine Falklands lobby in Whitehall and Westminster.

However, the potential for expanding trade is limited by the lack of British government export insurance cover. British officials say coverage will only be resumed once Argentina establishes a track record in honouring international financial commitments.

That will be easier than persuading London to change its policy of defending the Falklanders' right to self determination. And the islanders remain as resolutely anti-Argentine as ever.

Furthermore, Argentina still faces problems that will inevitably encourage suspicion of its opponents in the British parliament.

The economy may be booming on the back of consumer demand, but Argentina's industry is still a long way from being internationally competitive.

In spite of 10 years of democracy, congress is weak and, like the judiciary, dominated by an all-powerful presidency. Mr Menem himself is permanently dogged by corruption scandals. He cares little for institutional reform, except for pushing hard for a constitutional amendment which would allow him to stand for re-election.

Menem: forced to introduce radical reforms

An economic reverse, such as an upsurge in inflation, could have dangerous political side effects. Equally, a political upset, such as another scandal or complications arising from Mr Menem's campaign to amend the constitution, could destabilise the economy.

The Argentine belief that its commendable policies will bring it any closer to winning the Falkland Islands in the foreseeable future may thus prove to be a delusion.

Correction

A headline on an item in the American news page yesterday was incorrect. It should have read: US allowed Indonesian arms sales to Iraq.

THE FERRANTI SAGA

The man who used CIA tools to commit a $1.1bn fraud

By Alan Friedman in New York and Richard Donkin in London

Guerin: jailed for 15 years, but Ferranti left crippled

IN two weeks a bespectacled 62-year-old former entrepreneur and local church leader from the Amish farm country of southeastern Pennsylvania will surrender at the gates of a minimum security prison and begin a 15-year sentence.

Nearly three years after the discovery of an international arms trafficking and financial fraud that crippled Ferranti, Mr James Guerin, the former deputy chairman of the UK group, is finally going to jail. He was sentenced on Wednesday evening by a US judge.

For Ferranti, Mr Guerin's incarceration is the end of a long nightmare that saw the once proud defence company reduced to the role of a bit player in the international arms market. For Britain, one of the main pillars of its defence industry has crumbled.

For South Africa, which according to US prosecutors secretly offered asylum to Mr Guerin and three other executives, the Ferranti affair is an acute embarrassment. Relations between Pretoria and Washington have been further strained by South Africa's refusal to respond to the US indictment of its state-owned Armscorp, a weapons maker involved in the Guerin crimes.

For the US government, which permitted an adviser to President George Bush to plead for clemency for Mr Guerin and to confirm his claims that he worked with the Central Intelligence Agency in the 1970s, the sentence may come as a relief.

The sentence cannot, of course, make good Ferranti's losses, stemming from $1.14bn (£620m) of fraudulent arms contracts and $950m of money laundering by International Signal & Control (ISC), the Pennsylvania company Mr Guerin sold to Ferranti for $670m in 1987. The company estimates it lost $500m – including lost turnover and overpayment for ISC. The loss to shareholders is hard to quantify.

Nor can the jail term alter the fact – according to US investigators – that some of the US missile testing equipment and anti-aircraft radar systems shipped illegally by Mr Guerin were ultimately used by Iraq against allied forces during the Gulf war.

While the bulk of the fraud was perpetrated in the 1980s, it is ironic that Mr Guerin used a New York dummy company, called Gamma, that US officials acknowledge was set up in the 1970s in co-operation with the CIA and the National Security Agency, the US electronic surveillance agency.

Admiral Bobby Ray Inman, chairman of President Bush's foreign intelligence advisory board and a paid member of the proxy board of a Ferranti US subsidiary that carries out classified government work, said on Mr Guerin's behalf that he worked with Mr Guerin between 1975 and 1978. This work involved the shipment by ISC – through Gamma – of military communications equipment to South Africa which helped the CIA track South Africa's nuclear weapons capability and monitor Soviet activities in the region.

US officials note that in a matter of such importance the CIA director would have been well aware of Mr Guerin's activities. The CIA director during the period of the most intense co-operation with Mr Guerin was Mr George Bush.

The CIA thus gave Mr Guerin the tools that, he claims, he later used without official Washington approval.

Admiral Inman has termed Mr Guerin a patriot. But this week Mr Robert Goldman, the chief US prosecutor, replied that Mr Guerin was merely "a self-annointed patriot".

It remains unclear, however, why – as US law enforcement officials have confirmed – the CIA did nothing to halt illegal ISC shipments to South Africa between 1984 and 1989, despite the fact that the agency was debriefing some of Mr Guerin's colleagues at the time.

The CIA has declined to comment, except to argue that it always co-operates with the Department of Justice on matters relating to possible violations of US law.

Investigators on both sides of the Atlantic were astounded at the breathtaking scale of the financial fraud, which involved the creation of hundreds of fake contract notes and invoices. Front companies were created, including 38 Panamanian entities controlling 51 Swiss bank accounts.

From about 1981 ISC began fraudulently to inflate its sales and profits. By the time its fraud was discovered in 1989 its operations were masking $1.1bn of fictitious contracts. Ferranti has stated that as a result its payment of $670m to acquire ISC was far too high.

Mr Guerin apparently exploited the gentlemanly approach of ISC's auditors who were escorted on pre-arranged site visits to inspect inventory, or were often simply lied to.

One senior investigator said: "It was just like the betting operation created in the film The Sting. There was one office in Greece which was a hive of activity when it was visited by auditors. Two weeks later it was empty. The whole charade had been created for the auditors' benefit."

Some of the biggest fraud involved fake contracts with Pakistan, such as $512.9m arranged under the codename KP. To persuade auditors of its authenticity, Mr Guerin recruited Mr Talat Masood, a Pakistani general and chairman of the Pakistan Ordnance Factory Board, to confirm the existence of contracts.

Now Mr Guerin is on his way to prison. Yet several issues remain unresolved.

What will happen to the handful of other former Ferranti-ISC executives facing sentencing? They have told prosecutors they thought they were carrying out CIA-approved work and had reason to believe Mr Guerin's claims of Washington sponsorship since they were debriefed by the CIA during the 1980s. The prosecutors say this is irrelevant.

Mr Guerin may be indicted again, this time in Florida, where US prosecutors are finding links with Mr Carlos Cardoen, the Chilean arms maker who was Iraq's biggest supplier of cluster bombs and factories. In the mid-1980s ISC cluster bomb technology was transferred illegally to Mr Cardoen in Santiago.

A continuing Philadelphia investigation concerns bribes allegedly paid by Mr Guerin to agents in Pakistan and in the United Arab Emirates (UAE).

In London, the Serious Fraud Office (SFO) has wound down its investigation into the Ferranti affair. The UK end of the probe will remain technically open until Mr Guerin's accomplices in the fraud are sentenced later this year. But the possibility of any UK charges arising out of the scandal is thought to be unlikely.

Tony Andrews

Shrunken empire: Chairman Eugene Anderson is still trying to turn the company around after its 1989 body-blow, but it continues to make losses

Group sells its soul to save a shadow

By David White, Defence Correspondent

FERRANTI International is a shadow of its former self. It has struggled on since 1989 by selling bits of itself – including parts that were its pride and soul.

Disposals, together with cuts in its remaining activities, have reduced it to about 5,000 employees, less than a quarter of the workforce when the International Signal and Control scandal broke. Turnover, which was then about £1bn, is expected to have dropped to below £400m for the year ended March 31. Ferranti shares, which in 1989 reached 113½p, have traded this year in a range between 3½p and 13p.

Mr Eugene Anderson, the former Johnson Matthey chief executive who took over as chairman in February 1990, is still trying to turn the company around. It continues to make losses, although analysts expect 1991-1992 figures to improve on the previous year's operating loss of £84m. The company's debt, which in 1990-1991 was cut by almost two-thirds to less than £100m, is also expected to show a reduction.

Two years ago Ferranti obtained £47m from shareholders in an underwritten rights issue. The next year it won £40m from auditors Peat Marwick in settlement of a legal action arising out of its merger, in 1987, with ISC.

But principally it has had to resort to selling its assets – including, in March 1990, its Edinburgh-based defence systems division, to its arch-rival GEC.

In the division were Ferranti's airborne radar operations, dating back to the Second World War and now including the project leadership for the radar to equip the European Fighter Aircraft, along with other top Ferranti defence products, from inertial navigation systems to night-vision goggles.

After contesting the £270m it paid in the deal, GEC has since also taken over the missile-making activity which was a focus of Ferranti's recent ambitions – based on one large and secretive contract, inherited from ISC, to develop a sophisticated range of air-launched weapons for the United Arab Emirates.

Other disposals include Ferranti's Italian offshoot and a half-share in its naval sonar business, now a joint venture with Thomson-CSF. This has since suffered a further setback with cancellation of one of its main projects for Royal Navy diesel-electric submarines.

Ferranti's civil side – including industrial control systems for clients such as oil companies and power generators and computer-based systems for airports and emergency services – has increased proportionately, from about 25 per cent to 40 per cent of sales.

The Ferranti name also lives on in GEC Ferranti Defence Systems in Edinburgh, although it is wholly owned by GEC. It remains the area's largest manufacturing employer, but numbers have shrunk 30 per cent since Ferranti's time to 4,800. A more rigorous regime is now in place.

"People still look at it as the old Ferranti firm," says one senior manager. "But it isn't any more."

Maxwell bid $500m for Orion Pictures

By Alan Friedman in New York

THE late Mr Robert Maxwell apparently dreamed of becoming a Hollywood mogul and in 1990 made an unsuccessful $500m bid for Orion Pictures, the now-bankrupt studio best known for releasing Woody Allen films.

According to a former investment bank adviser to Mr Maxwell, the media tycoon asked Wertheim Schroder, the New York investment bank partly owned by Schroder of the UK, to forward the bid to Mr John Kluge, chairman of Metromedia, the company which owned 70 per cent of Orion.

Wertheim Schroder has confirmed it acted as Mr Maxwell's go-between in exploring a bid of around $500m for Orion. A spokesperson for Mr Kluge confirmed Mr Maxwell's interest in Orion, but called the discussions only "preliminary".

Last December, a year after the Maxwell bid, Orion filed for protection from creditors under Chapter 11 of US bankruptcy law. Entertainment industry analysts say that had Mr Maxwell succeeded in buying Orion, the company would probably have been forced into bankruptcy anyway.

Wertheim Schroder, which handled the Orion matter on a contingency basis, was not paid any fees by Mr Maxwell. The investment bank did receive a payment for its 1990 advice on the sale of Maxwell printing companies to Quebecor of Canada.

Court documents obtained by the Financial Times meanwhile show Wertheim Schroder is still in a dispute with Arthur Andersen, administrators of the private side of the Maxwell empire, over another investment banking fee.

Payment of the fee – some $650,000 – is being sought by Wertheim Schroder for advice it says it gave Mr Maxwell about the disposal of London and Bishopsgate International Incorporated (LBII), the New York money manager majority owned by Headington Investments, one of Mr Maxwell's main UK holding companies.

It was learnt this week that in February the administrators sold LBII's assets to a group of six managers headed by Mr Andrew Smith, the vice-chairman of LBII. The court records – of a hearing in New York bankruptcy court last month – quote Mr John Dubel, a New York partner of Arthur Andersen, as saying that on February 7 he sold "substantially all of the assets" of LBII's parent company, LBH Limited.

According to the court documents Mr Smith, and the other buyers – who have renamed LBII as Strategic Global Investment – paid for the assets with $7.77m in cash, a $500,000 promissory note and the assumption of about $1m of various liabilities.

Following the transaction, LBH Limited was placed into a creditors' voluntary liquidation, Mr Dubel told the New York court last month.

At LBII, Mr Robert Chender, a senior executive, said he was prevented by a confidentiality agreement from disclosing any details of the February asset purchase beyond those contained in the court records.

NatWest had doubts on validity of shares as security

By Robert Peston and Robert Rice

NATIONAL Westminster Bank accepted shares given to it by Mr Kevin Maxwell even though it had doubts about whether they were properly his to give, it emerged yesterday.

Maxwell pensioners, whose shares and funds were looted by Mr Robert Maxwell, will be concerned that the UK bank did not act on these doubts by refusing the shares.

The shares in question are a £20m holding in Teva, an Israeli pharmaceutical company, which the Maxwell pension funds claim are theirs.

NatWest received the shares as security for a $27.2m loan which it made to Robert Maxwell Group (RMG), a Maxwell private company.

The bank noticed that the name of Bishopsgate Investment Management, the trustee for the pension funds, was on the document transferring ownership of the shares.

Mr Kevin Maxwell, however, insisted that BIM was holding the shares in trust for RMG.

NatWest has said it took the mortgage of the shares in "good faith". It has pointed out that the shares are now being claimed both by the administrator of RMG and by the pension funds. It has therefore applied to the High Court to give directions on ownership. NatWest said that if the court rules that the shares were pension fund assets and not properly at the disposal of RMG, it will return them to the pension funds.

Trade group to back trust fund

THE National Association of Pension Funds, the industry trade association, yesterday announced it will be the first to contribute to the government's voluntary trust fund to aid the Maxwell pensioners with a £120,000 donation, writes Norma Cohen, Andrew Jack and Robert Peston.

However, banks and professional advisers of the Maxwell empire yesterday reacted indignantly at suggestions that they have a moral obligation to help pensioners.

Government ministers have been privately suggesting for months that both the pensions industry and the City financial institutions which had dealings with the late Mr Robert Maxwell help replace the pensioners' stolen funds.

The chief executive of one large City bank said: "It is out of the question that City institutions should dig in their pockets to help the pensioners."

Mr Paddy Linekar, chief executive of M&G Group and chairman of the Institutional Fund Managers Association, said it was up to individual members to decide whether to contribute.

"But speaking from M&G's point of view, we wouldn't touch Mr Maxwell with a barge pole and it seems a bit rich to ask us to cough up money."

Photograph by Ashley Ashwood

Redcoats recalled: US ambassador Raymond Seitz shows National Heritage secretary David Mellor the portrait of George Washington used on dollar bills. It is on display at a London exhibition celebrating "American patronage"

Commercial vehicle sales decrease sharply by 7.7%

SALES OF commercial vehicles in the UK fell 7.7 per cent last month compared with May last year, writes Kevin Done.

Demand for new commercial vehicles has fallen for 32 months in succession, and sales last month were 50.5 per cent lower than in May 1989.

Sales of new commercial vehicles fell last month to 16,024 from 17,358 a year ago and 32,393 in May 1989, the Society of Motor Manufacturers and Traders said.

In the first five months of this year, registrations of new commercial vehicles were 86,331, 10.8 per cent lower than a year before.

Some commercial vehicle makers, however, have increased their sales in spite of the recession. In the small van sector Vauxhall has seen a year-on-year increase of 5.9 per cent in sales. In the medium-van sector Leyland DAF and Volkswagen have increased their sales by 12.3 per cent and 14.1 per cent respectively.

The fortunes of Renault have deteriorated sharply, however, with its UK sales plunging by 40.7 per cent in the first five months.

Motor industry leaders to seek government aid

By John Griffiths and Kevin Done

MOTOR industry leaders, increasingly concerned at the absence of a revival in the UK's depressed new car market, are to seek further government support next Tuesday at their first meeting with Mr Michael Heseltine, Board of Trade president.

They are also expected to air their irritation over confusion created by conflicting UK and EC reports on differences in new car price in Europe.

Executives will use the meeting to stress their opposition to the recommendations of the Monopolies and Mergers Commission which wants the government to promote competition by unilaterally lifting the "voluntary" restraints which have restricted Japanese-built cars to 11 per cent of the UK market since the mid-1970s.

The industry group will comprise the chief executives of Ford, Vauxhall, Rover and Peugeot, and Mr Colin Hope, president of the Society of Motor Manufacturers and Traders. It will be meeting Mr Heseltine against the background of statistics showing that a 9.1 per cent sales upturn in April was not sustained. May sales were up only 1.4 per cent on a year-on-year basis, leaving the year-to-date total 5.3 per cent lower than the equivalent, severely depressed 1991 period.

The gloom is underlined by UK car production statistics released yesterday which show that output fell in May by 6.0 per cent, the second successive monthly fall, under the impact of a steep decline in output for export markets.

Mr Ian McAllister, Ford of Britain's chairman, said the expected post-election sales upturn "has not materialised" and warned that unless there is a marked recovery in August - when new registration plates are introduced and which normally accounts for more than 20 per cent of annual sales - this year's market could be 35 per cent below the 1989 record of 2.3m units.

The industry delegation is also likely to seek to put pressure on Mr Heseltine to complete the abolition of special car tax - it was cut to 5 per cent from 10 in the Budget - and take a more sympathetic view of company cars in a review of the taxation system.

They are expected to tell him that the industry is now ready to talk to the Office of Fair Trading about implementing some of the recommendations of the monopolies watchdog. The report identified a complex monopoly involving 24 carmakers and importers. Its report, however, rejected consumer group demands for the current system of franchised dealers to be scrapped.

However, a study published by the European Commission last month found price differences in some cases of more than 40 per cent, prompting a warning from Competition Commissioner Sir Leon Brittan that the industry must clarify its pricing if it wanted to retain exclusive distribution.

Police urged to privatise their routine traffic duties

By Alan Pike, Social Affairs Correspondent

PRIVATE security companies should take over traffic duties and some other responsibilities from the police, Mr David Fletcher, chief executive of the British Security Industries Association, said yesterday.

Tasks that could be contracted out to the private sector included using modern technology to detect speeding motorists, escorting heavy loads on motorways and issuing firearms certificates, he said at a conference of the Association of Chief Police Officers (ACPO) in Eastbourne.

Mr Fletcher said the police had successfully handed over the enforcement of parking regulations to traffic wardens and private wheel-clamping contractors. An increasing number of specialist activities was carried out by civilians employed by police authorities, he added.

"I am sure that the trend for contracting out complete jobs will continue to grow further," he continued. "Only in this way can competition be brought in, with the resulting benefits of innovation and cost reduction."

Criminal records held on police computers should be opened up so that job applicants could be thoroughly vetted, Mr Fletcher added.

Mr Rodney Brooke, secretary of the Labour-dominated Association of Metropolitan Authorities, told the conference there was an urgent need to attack restrictive practices and bureaucratic procedures and to introduce accountability throughout the police service. It was also essential that the service was driven "not only by targets and consumer concerns but by the ethic of public service".

Some performance indicators being introduced to measure police efficiency could, warned Mr Brooke, skew services undesirably and confuse rather than illuminate public understanding.

Mr David Owen, chief constable of North Wales and past-president of ACPO, said it was an over-simplification to suggest that traffic policing could be privatised. Motoring matters often involved other offences. He expressed concern about the growth of the private security industry which, he said, employed more than 250,000 people and was subject to few statutory controls.

Glaxo drug given health warning

By Paul Abrahams

IMIGRAN, Glaxo's migraine treatment, thought to have potential sales of $1bn a year, is possibly dangerous in patients with certain heart conditions, according to the UK Committee on Safety of Medicines (CSM).

The committee, which advises the Department of Health, warned doctors that it had received 34 reports of patients who suffered pain or tightness of chest after being injected with the drug. Glaxo's shares fell 27p in a weak market to close at 711p.

In the latest issue of Current Problems, its occasional newsletter, the CSM said studies had shown Imigran might cause constriction of the coronary arteries. It called on all doctors to report adverse reactions to the drug.

The warning comes after a letter last month in the British Medical Journal described heart problems in two patients after being given Imigran. An average of 15,000 prescriptions a month had been recorded since the medicine was launched in September. The company started marketing an oral version in the UK this month.

Glaxo said yesterday clinical trials had demonstrated that the drug could have adverse side effects in a small minority of patients. The number of adverse reactions reported by British doctors was not greater than expected. However, the company admitted it had received similar reports from other countries where the drug is marketed, although these had not been in significant numbers.

Imigran works by constricting the blood vessels in the brain, but there are fears it may act systemically throughout the whole body and could affect the heart.

Although Imigran's sales during the past half year were only £13m, it is commonly described as one of Glaxo's three potential "block-busters" – defined as capable of generating $1bn of sales a year.

One US analyst has estimated Imigran's sales could reach $10bn a year by the end of the decade. Others have recently scaled back their predictions, but nevertheless view it as highly important for the company's future.

Imigran is available in 18 countries, but its high price has caused controversy. French health authorities have refused to licence the drug because of its high price and safety fears. Glaxo claims there is no alternative effective treatment for migraine.

CBI survey indicates economic recovery will be slow and lacklustre

Retail sales fail to lift gloom

By Peter Norman, Economics Correspondent

FEARS grew yesterday that Britain's recovery from recession will be slow and uninspiring after a survey by the Confederation of British Industry (CBI), the employers' organisation, showed that retail sales had failed to sustain their post-election strength.

The CBI's distributive trades survey for May showed that retail sales increased compared with May last year, but the gain was modest and less than expected. Wholesale turnover was more buoyant, but increased optimism in this sector was offset by continuing gloom among motor traders.

The picture of a lacklustre economy was reinforced by news of a 5.95 per cent annual decline in UK car output last month because of a sharp fall in export production. The reports helped depress share prices in London, where the FT-SE 100 index closed down 22 points at 2,614.1.

Mr Nigel Whittaker, the chairman of the CBI's distributive trades panel, said retail sales volumes had risen on a year-by-year basis in nine out of the past 10 monthly surveys. But the recovery was slow and gradual. "It looks as if the improvement in trade is more moderate than that seen at the start of the year," he said.

The survey's results produced some barbed exchanges in the House of Commons. Mr John Smith, Labour's shadow chancellor, said it showed "an apparent post-election recovery has petered out already". By contrast, Mr Michael Portillo, the Treasury chief secretary, said it pointed to "a very strong improvement in business confidence".

Among economists, the survey increased concern that UK economic growth this year will fall well short of the 1 per cent gain forecast by Mr Norman Lamont, the chancellor, in his March Budget. Independent economists have been revising down their forecasts since last month's first quarter provisional gross domestic product figures showed that the UK was still in recession and have warned that growth this year could be either negative for second year running or close to zero unless consumption revives strongly over the rest of 1992.

The CBI found that 45 per cent of retailers polled reported an increase in sales last month against 31 per cent who experienced a decline. The resulting balance – which indicates the trend – was 14 per cent compared with 20 per cent in April and lower than expected by retailers.

While sales of clothing, footwear and chemists' goods rose in May, the survey suggested that Britain's weak housing market was continuing to depress demand. Sales of furniture, carpets and electrical and other household goods fell last month compared with the previous year.

Lex, Page 18

Low growth rates forecast for Scotland

By James Buxton, Scottish Correspondent

SCOTLAND is likely to have relatively low rates of economic growth over the next four years as North Sea oil output declines and the defence equipment industry contracts.

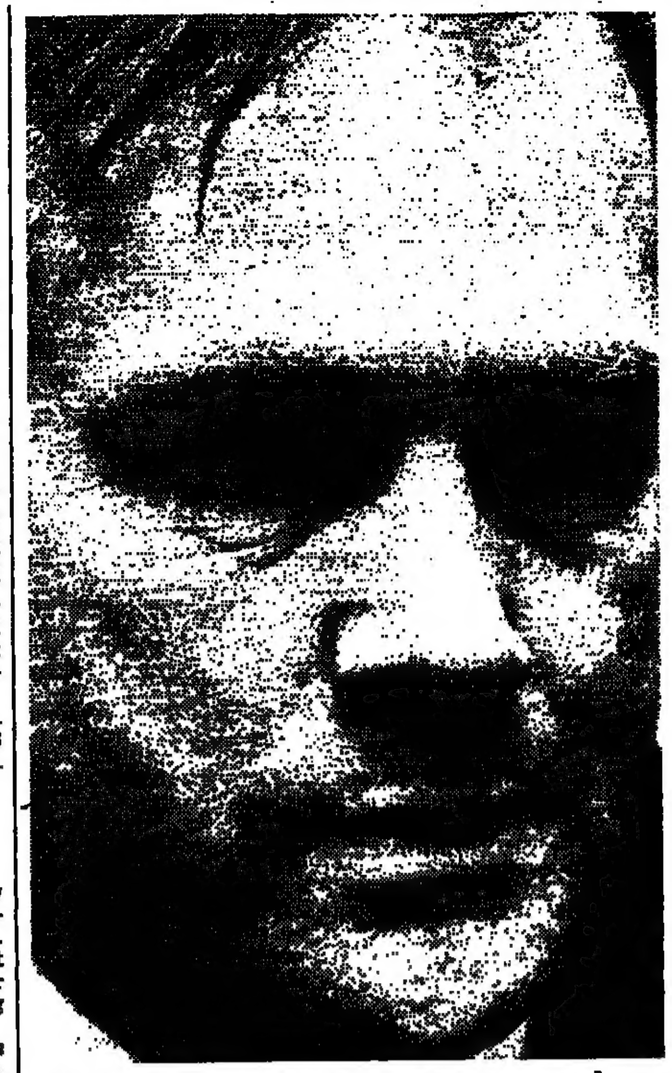
This is the conclusion of a study of the Scottish economy by Mackay Consultants, economic consultants based in northern Scotland.

The study says Scotland's gross domestic product fell last year in real terms by 1.8 per cent to £44.4bn, which includes £5bn from Scotland's share of UK oil and gas production.

Excluding oil and gas, Mackay expects Scotland's GDP to grow by 0.7 per cent in real terms this year, 2.4 per cent next year, 2.6 per cent in 1994 and 2.3 per cent in 1995.

If falling output of oil and gas is included, the expected growth in real terms is 0.6 per cent this year, 1.8 per cent next year, 2.2 per cent in 1994 and 1.8 per cent in 1995. The consultants say their growth forecasts for Scotland are below most forecasts for the UK economy over the same period. They say offshore oil output will fall by 6.7 per cent over the 1991-95 period and spending on defence by 12 per cent.

Prospects for the Scottish Economy, Mackay Consultants, Union Building, 15 Union Street, Aberdeen AB1 2BU. £100.



Peter Lilley: Maastricht deal "gives us a good opportunity to shape Europe in the way we want"

Government avoids early showdown on Maastricht

By Ralph Atkins

THE government yesterday indicated that it was shying away from an early confrontation with Conservative Euro-sceptic MPs over Maastricht by postponing any debate at Westminster until at least the autumn.

Amid a growing acceptance among Cabinet ministers that the government would lose a House of Commons vote on Maastricht at this stage, it emerged that prime minister Mr John Major's hint last week of a general debate before the summer recess is unlikely to be fulfilled.

Ministers admit that next week's Irish referendum, the Lisbon European Community summit later this month and the French plebiscite in September may lead to a substantial change in the government's position. So far it has urged publicly the ratification of the treaty without a re-negotiation.

That reluctance to provoke a confrontation will be portrayed by Tory and Labour MPs opposed to the treaty as a retreat. It will fuel speculation that ministers will eventually admit the Danish referendum result requires a wholesale re-negotiation, if not the dropping, of the treaty.

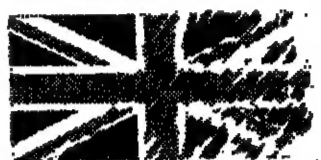
Legislation ratifying Maastricht will not return to the Commons until October and possibly later.

After a week of feverish speculation at Westminster – not helped by the absence overseas of Mr Major and Mr Douglas Hurd, foreign secretary – the unease over Maastricht at every level of the Tory party has become more apparent.

In the Commons, Mr Tony Newton, leader of the House, responded to barbed questions from Euro-sceptics on the Conservative benches by emphasising the importance the prime minister attaches to subsidiarity – whereby decisions are taken at the lowest appropriate level of government.

A public statement of support for the prime minister on Wednesday by Mr Peter Lilley, social security secretary, has not erased obvious differences of emphasise within the Cabinet. Mr Lilley said that the deal negotiated by the prime minister at Maastricht "gives us a good opportunity to shape Europe in the way we want".

Britain in brief



Creditors seek state help on BCCI appeal

Creditors of the collapsed Bank of Credit and Commerce International are likely to seek international government support to provide financial assistance if their appeal to modify the provisional liquidation plan under consideration in the High Court this week fails.

The plan is being developed alongside a more aggressive stance being taken by creditors over the last few days, who were accused in the hearing of making their criticisms of the settlement "too little, too late".

The 8-person creditors' committee argues that the $1.7bn compensation offer negotiated by Touche Ross, BCCI's liquidators, with the government of Abu Dhabi, the majority shareholder, is insufficient. A decision by Sir Donald Nicholls, vice-chancellor, is expected in the next few days.

The creditors are making plans to lobby senior diplomatic sources in all countries in which BCCI had significant assets or creditors, including the UK, the US and Abu Dhabi. They want to emphasise the moral side of their argument rather than focusing simply on litigation.

SFO defeats court ruling

The Serious Fraud Office has defeated a High Court ruling that threatened to limit its investigatory powers.

In an important judgment on the "right to silence", five Law Lords have upheld the SFO's claim that it has the legal right to continue questioning a suspect about an offence after charging him with it.

The Lords' decision involved an examination of the exceptional powers parliament has given the SFO, which remove from people questioned in connection with suspected serious fraud the right to silence enjoyed in other criminal contexts.

Airport traffic rises sharply

BAA, which owns most of the UK's big airports, had its busiest May on record helped by a sharp rise in European charter traffic and transatlantic travel. The company's seven airports handled 6.7m passengers last month, up 13 per cent on May 1991 and 5 per cent higher than in 1990.

BAe confirms job losses

British Aerospace, the defence equipment and aircraft manufacturer has confirmed plans to cut 720 jobs in its missile division. The jobs are to be lost at three factories in the company's Dynamics division – 120 at Bristol, 150 at Bolton and 450 at Stevenage, Hertfordshire.

Bomb alerts on Underground

Bomb alerts yesterday forced the closure of the London Underground system, creating chaos during the evening rush-hour and long delays for commuters.

The alerts followed an overnight explosion in Victoria Street near the Houses of Parliament which police are treating as the work of IRA terrorists. Nobody was injured in the blast.

Assurance on milk prices

Seven leading dairy companies have given assurances to the Office of Fair Trading not to engage in restrictive practices to fix the price of doorstep milk or collude in tendering for milk supplies.

This is believed to be the first time the OFT has sought voluntary undertakings from companies instead of referring them to the Restrictive Practices Court. The OFT said it wanted to avoid court proceedings because of the large costs involved.

Swedish group closes UK mill

SCA Euroliner is closing its paper mill at Feniscowles, Blackburn with the loss of 160 jobs. The company, a subsidiary of SCA, the Swedish group, said the factory's long-term trading position had been undermined by the high cost of waste paper in the UK compared with continental Europe. The plant, which will close in September, makes corrugated case materials.

Last month, the British Paper and Board Industry Federation warned that the UK's paper industry risked destruction from imports unless its raw material costs are reduced through increased recycling. Raw material costs are between 300 and 400 per cent higher than in Germany, it said.

Boost for chemical sector

Trading conditions in the UK chemical industry have improved noticeably during the first quarter, according to Trade Indemnity, the credit insurance group.

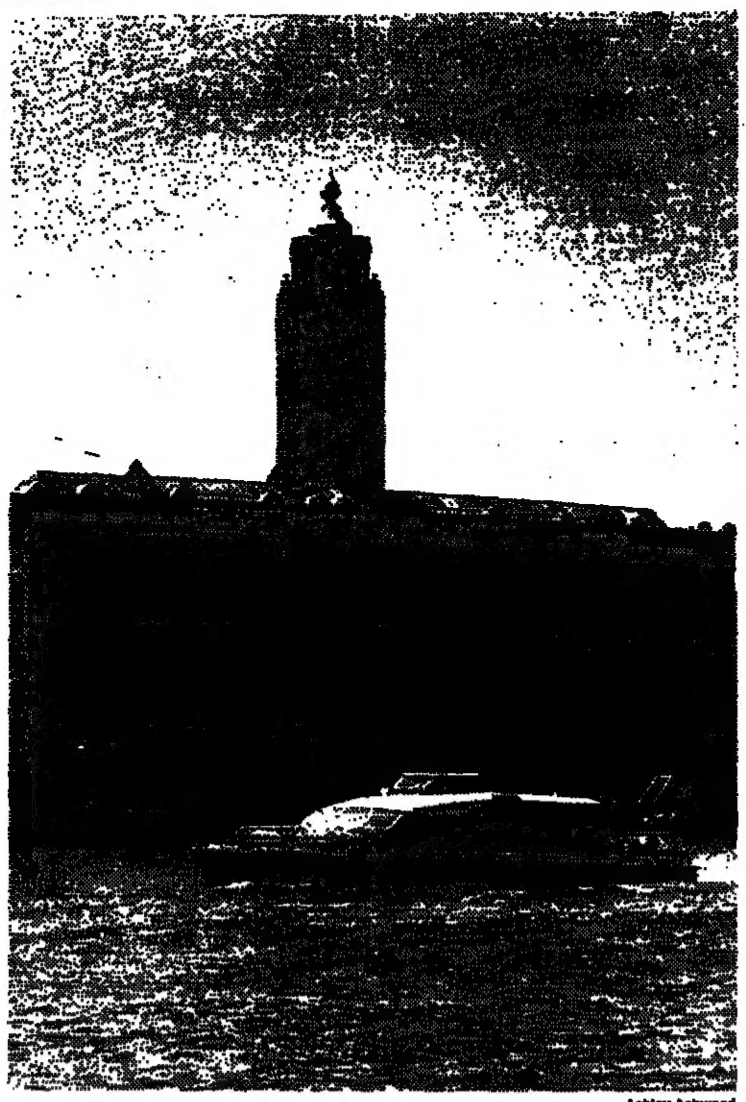
The improvement has been driven by exports and is in spite of depressed domestic market.

More than 25 per cent of UK chemicals companies are still working below capacity, but about a third expect an improvement in output over the coming months. Any recovery is likely to be no greater than 2 per cent, warns Trade Indemnity.

French antique fetches £1.21m

A neo classical *bureau plat*, made by Jean-François Leleu in Paris in the early 1770s, sold for £1.21m. at Christie's in London. It was part of the collection formed by Barbara Johnson, who married in to the American baby powder family. She is selling off some furniture to raise money for commercial projects in her native Poland.

THE PROPERTY MARKET



Ashley Ashwood

Premier riverside site: the Coin Street plot on the South Bank

Doing it the Coin Street way

By Vanessa Houlder

London's least conventional property development occupies one of the capital's most promising sites: a sweeping bend of the Thames with magnificent views stretching from Parliament to St Paul's.

Tucked in between the towering offices of Shell, IBM and Sea Containers on one side and the grey hulk of the Royal National Theatre on the other, is a complex comprising a park, low-rise housing, off-beat craft shops and restaurants.

Its centrepiece is a South Bank landmark, a tower with intricate motifs spelling out the word Oxo – a reminder of the days when the tower was a distribution centre for meats products including Oxo. Beneath the motif flaps a banner with the words: "GLC working for London. Welcome to Coin Street. Homes and Jobs. A community victory."

This relict of the long-gone Greater London Council fluttering atop an apparently derelict building continues to attract attention from developers jealously eyeing what is undoubtedly one of London's best sites.

For sure, the 5.5 hectare site is accustomed to attracting attention. In the late 1980s, it was the subject of a controversial and bitterly-fought planning battle.

After two public enquiries, property developers Greycoat, which wanted to build 1m square ft of office space on the site, threw in the towel in 1984. The site was then sold by the GLC to a co-operative of community builders – the Coin Street Community Builders (CSCB) – for £1m, perhaps half its value, just days before the Tory government acted to curb spending by the GLC before its eventual abolition soon after. Instead of office blocks, the new owners let it be known that the site would be used for parks, affordable housing and workshops

Nearly a decade on, Coin Street and its relationship with the rest of the South Bank is at a turning point. Stamford Wharf, the building that bears the Oxo tower, is to be redeveloped.

By autumn 1993, Coin Street Community Builders hope to turn Stamford Wharf into a complex of cafes, restaurants, performance and exhibition spaces, rented housing and craft workshops. The developers hope to produce a genuinely mixed-use development for Stamford Wharf, ensuring that the vitality of the area does not ebb away in the evenings and at weekends.

The Coin Street developers say they have secured the necessary £20m of funds from a mix of public and private sources and contracts have already been put out to tender. If the scheme does proceed to plan, it will be be a notable achievement in an area where other regeneration plans – the South Bank arts centre for instance – are on hold, victims of the recession.

The aim of all developments in the area has been to enhance the South Bank, for long the poor relation of the north side of the Thames. The siting of County Hall and later, the Festival of Britain, on the South Bank were previous attempts to correct the imbalance.

Indeed, Coin Street was originally mooted to reverse the area's declining residential population, which shrank from 50,000 in the 1930s to 5,000 by the 1970s, the consequence of floods, bombing, the disbandment of wharfs and relocation of industry.

Coin Street has been the subject of planning arguments since the early 1970s when Heron Corporation proposed building Europe's tallest hotel on the site. A combination of developers' ambition and neighbouring councils' high rates and insistence on socially desirable but financially unviable schemes blighted the area for years.

Local residents set up in 1977 the Coin Street Action Group, having earlier established a housing association to make available low cost housing. CSCB decided from the outset to to develop the site in phases. Instead of hiding the development sites behind corrugated iron, it put the land into temporary use as parks and car parks. The most imaginative temporary project is Gabriel's Wharf, where the developers erected garages, painted a backdrop of mock Georgian facades and installed craft workshops.

Work on redeveloping Stamford Wharf is due to start in the summer. Thereafter, a plot of land near Waterloo has been earmarked for housing and an exhibition centre.

Clearly the action group – which includes printers, pensioners, a docker, a deliveryman and a telephonist – is doing it its own way. "Coin Street: There is another way . . ." is CSCB's slogan – a reference to the character, mix and management of the developments.

To bring the 'alternative' nature of the project home, the riverside park has been renamed after one of the area's doughtiest campaigners against office development. "London needs another office block like it needs another plague," reads a poster in the community group's headquarters.

Yet the community group's opposition to the development of more offices in London, which it argued passionately in the public enquiries of the early 1980s, is misguided. Contrary to CSCB's predictions, an acute shortage of modern offices arose in London in the mid-1980s.

However, the virtues of the Coin Street scheme are only too apparent. Plastering London with office blocks has been shown to make little sense.

Mr Iain Tuckett, Coin Street's company secretary, says the Coin Street experience shows that there is huge scope for community groups to determine the kind development they want in their area. "The private market will do what is most profitable, that is its job. The public sector will fill in the worst gaps. There is a huge middle area," he says.

He maintains that the Coin Street activists, far from being woolly-headed idealists, have succeeded where others failed. "No one else could persuade local authorities, government and banks to chip in. The public and private sector could not do it for 30 years," he says.

But the notion that Coin Street is blazing a trail that could be widely followed is probably wrong. The area had extraordinary advantages. With GLC backing, the group was able to buy the site cheaply, covering its interest costs from income from the car parks to the back of the South Bank.

As well as providing comfort for its bankers, this income has allowed the group to subsidise its housing programme. Also, proximity to one of the most famous art complexes in Europe gives a huge boost to local shops and restaurants.

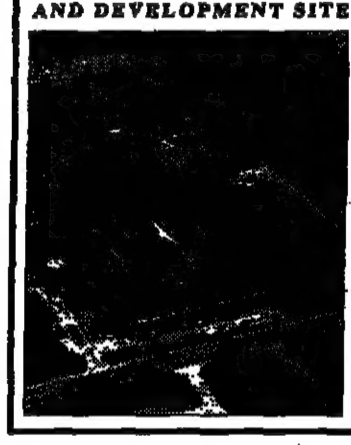
Yet despite its alternative image Coin Street's approach has more in common with other developers than might be expected. Mr Tuckett says that the experience of two enquiries and constant surveillance of developers' plans taught CSCB some of the tricks of a developer's trade.

Certainly the absence of the profit motive creates an important difference between Coin Street and other developers, says Mr Tuckett. But a profit-free environment hardly makes the Coin Street developers a soft touch, says Mr Tuckett. "We are commercial; we have to be commercial," he adds.

CAPITAL GROWTH (%)

	Retail	Office	Industrial	All Properties
Year to April 92	-1.0	-13.4	-0.9	-5.9
Quarter to April 92	-0.2	-3.9	-1.7	-1.9
Month of April 92	-0.1	-1.0	-0.5	-0.5

Investment Property Databank



INTERNATIONAL PROPERTY

CONTRACTS

Filter plant for power station

LURGI HOWDEN SOUTH AFRICA, the fifty per cent owned subsidiary of the Howden Group, has won an order valued at R96m (£18.5m) from Eskom, the South African utility company, for the supply of fabric filter plant to the Majuba power station.

The contract includes the design, manufacture, supply, installation and commissioning of two fabric filter casings for each of the three boilers at Majuba power station. The fabric filters are based on the Lurgi Howden Australia design.

This is the first major order won by Lurgi Howden which is a recently established joint venture company owned by Lurgi South Africa and Howden Group South Africa.

Transport study in Panama

The economic studies group of RENDEL PALMER & TRITTON is advising the Inter American Development Bank on transportation issues in Panama.

The bank is considering a transport sector loan to Panama for road rehabilitation and maintenance.

A six-week study by RPT is examining the supply and demand for passenger and freight transport services, including the use of resources, access to supply, tariff levels, the legal framework and the institutional structure.

The study concentrates on the issues in Panama City for passenger transport services and on the movement of freight through the free trade zone at Colon.

Air defences

RACAL RADAR DEFENCE SYSTEMS has won a contract for the supply of radar equipment and engineering support for the Rapier low level air defence system in service with the Royal Air Force of Oman. In support of British Aerospace Defence Dynamics, Racal will design and manufacture the surveillance radar.

Telecommunications in China

By Robert Taylor in Oslo

ERICSSON, Sweden's telecommunications company, has signed a purchasing agreement worth US$300m (£166.6m) for the supply of AXE telecommunications equipment to China, it was announced yesterday.

The agreement was signed in Stockholm by a visiting Chinese trade delegation, Sweden's communications minister, Mr Mats Odell and Mr Lars Ramqvist, chief executive of Ericsson. The order will extend the telecommunications network in Guangdong province. The financing of the project will now be discussed.

The sheer size of the order overshadows Sweden's existing trade with China. Last year Sweden exported Skr1.5bn worth of goods to China, compared with the Skr1.8bn value of the new Ericsson order.

The Swedish government lifted recently restrictions on the provision of soft credit to Swedish companies trading with China which were imposed after the massacre in Peking's Tiananmen Square.

A number of Swedish companies, including Asea Brown-Boveri Sandvik and Ericsson have been lobbying the government for some time to drop its existing restrictions on trade with China.

Ericsson hopes to strengthen its position in what it sees as a rapidly expanding Chinese telecommunication network which already has more than 1m AXE lines in operation.

£140m Tunisian power project

GEC ALSTHOM has signed a £140m turnkey contract in Tunis with the country's electricity and gas utility, Société Tunisienne de l'Electricité (STEG) to supply a 350mW combined cycle power plant.

The order follows a letter of intent received by GEC Alsthom from STEG in April to design, supply and commission the power station which will be the first combined cycle power station in north Africa. The first phase of the plant will be commissioned at the end of 1993.

The two Frame 9E gas turbines will be supplied by the European gas turbines subsidiary. The company's electromechanical division will supply the steam turbine generators and Stein Industrie, another GEC Alsthom subsidiary, will manufacture the heat recovery steam generators. The related controls and instrumentation will be supplied by Cegelec, a subsidiary of Alcatel Alsthom, one of GEC Alsthom's two shareholders. STEG will carry out the civil engineering works.

The Sousse power station is an important part of STEG's electrification programme which will be vital to the economic development of Tunisia.

£94m US airport development

BAE AUTOMATED SYSTEMS INC, a Dallas-based member of the BTR international engineering group, has won a contract valued at more than US$170m (£94.44m) to design, manufacture and install what is believed to be the world's largest automated baggage handling system at the New Denver International Airport.

The integrated system will use "Telecar" – BAE's track-mounted destination-coded vehicle – which can transport bags at speeds of up to 470 metres per minute between the main terminal building and remote concourses.

Scheduled to be fully operational in October 1993, the baggage handling system at New Denver International Airport will include more than 30 kilometres of track, over 3,000 Telecars and more than eight kilometres of conventional belt conveyors.

It will be capable of moving a passenger's bags to any point in the airport in less than 10 minutes.

Construction of the New Denver International Airport began in 1990. The 34,000 acre site, located 23 miles from Denver town centre, will have five full service runways, three concourses and a 16,000 ft international runway scheduled for completion in 1994.

The US$2.7bn (£1.5bn) project is due to be completed in 1993 and it is planned to be capable of processing over 34m passengers at its opening, with an ultimate capacity of 110m passengers by the year 2020.

Keeping Norwegian oil platform stable

KVAERNER ENERGY, part of Norway's Kvaerner Group, has won a contract to provide tether equipment for the tension leg platform (TLP) on Conoco's Heidrun Field, off central Norway.

The contract, worth Nkr113m (£9.9m), involves the design and production of bottom connectors for the platform and is scheduled for final delivery in December 1994.

Kvaerner Energy is also competing for a number of other related contracts to the Heidrun tether system. This system consists of hollow steel tubes which hold the TLP to the seabed. They permit some horizontal movement while preventing vertical motion.

The Heidrun platform will be the second TLP on the Norwegian continental shelf, following the successful installation of Saga Petroleum's Snorre unit in May.

* * *

CONDER HARLEY, a specialist division of the Winchester-based Conder Group, has recently extended its portfolio in Belgium.

The company has been appointed by main turnkey contractor Mathieu Gijbels to design, fabricate and supervise the assembly and erection of a 1,200 sq metre Harley spaceframe roof for a Renault car showroom at Couillet, near Charleroi, Belgium.

The spaceframe, which is an irregular shape to allow for architecturally interesting elevations, is in cold rolled steel and powder coated yellow.

Supplying lavatory modules

The BSG International subsidiary company, LA RUMBOLD, has been awarded a follow-on contract by the Boeing Commercial Airplane Company for the supply of lavatory modules for its B737 aircraft.

This contract, with a value in excess of US$80m (£44.4m), ensures that Rumbold will continue to deliver 737 lavatory modules from November 1992, when the existing contract expires, up to December 1996 and will provide continuation of work at Camberley on this programme.

Controlling air traffic

FERRANTI INTERNATIONAL has won a major contract to develop and produce an air traffic control simulator system for the Swedish Air Traffic Services Academy (SATSA). The programme will be managed by the company's airspace management simulation and training group at Cwmbran. The overall programme, worth some £5m, covers project design, development and system integration.

The simulator is being procured by the Swedish Civil Aviation Administration (Luftfartsverket), as part of its multi-million pound System 90 investment programme to substantially upgrade SATSA's training facilities at Malmo-Sturup Airport.

Car mirrors

PRESSAC HOLDINGS's subsidiary Pressac Ltd has signed a contract with Raychem Corporation USA which will result in it acquiring a license to manufacture and sell Raychem's most recently developed heater elements for automotive mirrors.

These heaters have current forecast sales for 1992 of approximately £2.5m per year. Production by Pressac is scheduled to commence in the autumn of this year.

Heated mirrors are rapidly becoming a standard feature on many vehicles in Europe, US and Japan and this standardization could result in a big increase in demand for this product in the future.

CONTRACTS & TENDERS

GOVERNMENT OF PAKISTAN MINISTRY OF RAILWAYS TENDER NOTICE FOR HIGH SPEED ADDITIONAL RAILWAY TRACK

1. Pakistan Railways invites proposal on B.O.T. basis from experienced International Firms for construction and operation of an additional high-speed rail tracks 5'-6" - 1676 mm gauge for Lodhran to Peshawar via Multan, Lahore and Rawalpindi by utilizing the existing infrastructure, equipment, stock and Railway property including land owned by it to the maximum possible extent.
2. The length of the proposed track is approximately 840 Kms, which shall mostly pass through plain area except for a distance of about 200 kms which is hilly terrain.
3. The maximum design speed to be ultimately achieved on this track would be 200 km/hour.
4. Detailed terms and conditions, scope of works and data of available stock, structure and infrastructure can be had from the office address given as under in para 6 on any working day upto 15th July, 1992.
5. Time period stipulated for construction is four years and time period for operation before transfer is stipulated as 25 years extendible to 35 years, based on return of investment.
6. Detailed bids with financial proposals on B.O.T. basis in sealed covers will be received upto 1200 hours on 20th August, 1992 by Mr. Arbab Abdul Sattar, Director Planning, Ministry of Railways, Room No. 414 Block 'D', Pakistan Secretariat, Islamabad - Tele No. 92-51-823514/Fax No. 92-51-828846.

LEGAL NOTICES

No. 004926 of 1992
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
P&P PLC
- and -
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 14th May 1992 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the Share Premium Account of the above named Company by £7,000,000.

AND NOTICE is further given that the said Petition is directed to be heard before the Honourable Mr Justice Millett at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 22nd day of June 1992.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the Regulated Charge for the same.

Dated this 12th June 1992
Clifford Chance,
Royex House, Aldermanbury Square,
London EC2V 7LD
Ref: KO
Solicitors for the Company

NO. 005267 OF 1992
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION.
IN THE MATTER OF
VIVAT HOLDINGS PLC
-and-
IN THE MATTER OF THE
COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN, that a Petition was on the 22nd May 1992 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the Share Premium Account of the above named Company by £15,157,000.

AND NOTICE is further given that the said Petition is directed to be heard before the Honourable Mr Justice Millett at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 22nd day of June 1992.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the Regulated Charge for the same.

Dated this 12th June 1992
Clifford Chance,
Royex House, Aldermanbury Square,
London EC2V 7LD.
Ref: KO
Solicitors for the Company.

IN THE MATTER OF:
WARD INTERIORS LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above named company will be HELD AT: The Royal York Hotel, Station Road, York, North Yorkshire, on 19 June at 10.15 am, for the [illegible]

Company No. 631032 Registered in England
CABAL TOOLS LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at Cork Gully, 43 Temple Row, Birmingham B2 5JT on 24 June 1992 at 2.00pm for the purpose of having laid before it a copy of the report prepared by the [illegible]

LEGAL NOTICE

NOTICE TO CREDITORS TO SUBMIT CLAIMS
IN THE MATTER OF
IGARI LIMITED
(Formerly RADGRAVE FARMS LIMITED)
AND IN THE MATTER OF THE INSOLVENCY ACT 1986

NOTICE IS HEREBY GIVEN that those Creditors of the above-named Company who have not already done so and who wish to make a claim in the liquidation of the above-named company are [illegible]

INSOLVENCY ACT 1986
NOTICE TO CREDITORS
GOVETT ATLANTIC INVESTMENT TRUST PLC
[illegible]

THE INSOLVENCY ACT 1986
[illegible]

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS
[illegible]

HOLIDAYS & TRAVEL

IN THE MATTER OF
GOVETT ATLANTIC INVESTMENT TRUST PLC
AND IN THE MATTER OF THE INSOLVENCY RULES 1986
[illegible]

MANAGEMENT

Grounds for optimism stir in Hungary

Guy de Jonquières looks at the experience of one US consumer products group in eastern Europe

WHEN Robert Combée took over as head of Compack, Hungary's largest coffee and tea company, he was ready for almost anything. But nothing had prepared him for adventures in the skin trade. Hidden in Compack's balance sheet and stored all over Hungary were huge piles of rotting animal skins.

They had been imported from Russia, apparently with some assistance from the KGB, by the company's former accountants, who had hoped to make a quick profit by turning them into fertiliser.

"There were thousands of tons of the things, and they stank like hell," Combée says. After the failure of several ingenious attempts to smuggle the putrefying hides back into Russia, he eventually off-loaded them in Romania and the Ukraine.

The bizarre and the unexpected have become routine for the fast-talking 47-year-old Dutchman since he arrived at Compack 15 months ago, shortly after the company was acquired by Sara Lee, the US consumer products group.

His exploits, shared with seven expatriate colleagues of various nationalities, are a vivid case study of the experiences – good and bad – which can await western companies acquiring in central Europe.

Compack is a rare example of a central European company with a strong brand identity. It also has a willing and hard-working staff of 1,300. In most other respects, however, its business has had to be rebuilt from scratch.

"Things like job descriptions didn't exist, and there was no wage structure," says Combée. "Though people in Hungary study marketing, what counts is experience, and nobody here has it."

Among the assets inherited from the past were large stocks of surplus tea from Vietnam – the result of an earlier barter deal – and a vast tea-drying machine. "It was unbelievably complex and big enough to serve half of Europe," Combée says.

After clearing these out, he set about recruiting salesmen. Advertisements were placed in the newspapers, but because the concept of selling was almost wholly unknown in Hungary, they drew a very mixed response. Eventually a 40-member sales and merchandising team was assembled, many of them existing Compack employees.

The next challenge was training. Since Combée speaks no Hungarian, his first idea was to hire English-speaking local academics and get a western specialist to teach them how to train.

But advertisements attracted only two candidates. "The younger of them was aged 85 and they both had Karl Marx University printed on their cards," he recalls.

Trainers were eventually found and today, Compack's fledgling sales force is out on the streets in smart new vans. What they lack in experience, they make up for in enthusiasm: one saleswoman who had difficulty meeting her quota got her husband to help out at weekends.

Compack has also had to train its retail customers. Merchandising experts have been drafted in from Douwe Egberts, Sara Lee's Dutch coffee subsidiary, to instruct shopkeepers in basic techniques such as shelf management, stock control and modern financial accounting.

Simultaneously, the company's product range is being re-launched, backed by a television advertising campaign. Packaging has been redesigned to incorporate the name of Douwe Egberts while retaining Compack's Omnia brand name and its familiar coffee bean symbol.

The introduction of western marketing techniques has not gone altogether smoothly, however. Compack's attempts to sell direct to retailers and to increase prices have led to bruising confrontations with the *Füszerts*, the state-owned wholesalers which still control much of the grocery trade.

Combée hopes the problems will diminish as Hungary's growing numbers of supermarkets set up their own warehouses and distribution systems.

However, the biggest headache has been a sharp fall in domestic coffee sales, about 40 per cent of which have been replaced by smuggled imports. These have been encouraged by a steep rise in duties and taxes which today account for half the retail price of coffee in Hungary, making it among the most expensive in Europe.

Compack recently secured a small reduction in taxes. However, with coffee sales still in the doldrums, the company has been forced to make up the lost revenues by expanding its other businesses.

In less than a year, it has launched and re-packaged about 50 items, including new brands of tea, insecticides, a range of baby care products and spices and mixes. "I don't think you can find any western company which introduced so many new products in such a short time," says Combée. The new lines, mostly imported from other Sara Lee subsidiaries, may be produced in Hungary in future.


Robert Combée: 'What counts is experience, and nobody here has it'

At present Compack has annual sales of about Ft1bn (£6.9m). Combée, who previously worked for Heineken, the Dutch brewery, will not disclose profit figures. But he says returns on investment are higher than at Heineken, though still below Sara Lee's standards.

The focus now is on improving Compack's operating efficiency. Two of its six factories have been closed, and the remaining plants are being reorganised and automated.

Accounting systems are being modernised and an outside consultant is drawing up formal job descriptions and wage structures.

One of the most positive surprises was the advanced state of Compack's computing systems when it was acquired. Prevented by western export controls from buying modern mainframe machines, the company's staff developed highly sophisticated information systems based on personal computers.

But despite all this technical wizardry, Compack's productivity remains handicapped by heavy over-manning at its head office in Budapest, which employs more than 350 people. Combée says the numbers must fall dramatically, though he aims to phase cuts in gradually to soften the impact on morale.

For all the ups and downs of the past 15 months, he has no regrets. "Why did I do a job like this? It's the adventure. When I go into supermarkets and see all those products which are my babies, I get very excited."

However, what he calls the "skins problem" and other unedifying discoveries about Compack's affairs have left him decidedly cautious about further acquisitions: "If we saw an opportunity here which looked attractive, we would think twice. Given our experience, we would be a lot more careful."

Christopher Lorenz considers how to get more out of alliances with Japanese companies

When friendship proves to be all one way

For virtually a decade, western companies have been hell-bent on making "strategic alliances" with Japanese companies, often with ones which are their rivals. For almost as long, they have been warned repeatedly by consultants and academics that they are putting themselves at a potentially lethal competitive disadvantage by allowing the Japanese to extract more value from the relationship than they do themselves.

A few companies have paid heed. In the US, electronics manufacturers have taken various steps to learn more from their Japanese partners; Motorola did an unusually well-constructed deal with Toshiba in 1987 which benefited its semiconductor memory business.

At the same time, these companies have protected their own core competences – such as Motorola's skill in microprocessor technology – more effectively than in the past from being annexed by their Japanese partners. In Europe there are signs that Philips has learned the same lesson.

But far too many western companies still see alliances in defensive terms – merely as a way of filling short-term gaps in their product range.

Far too few emulate the Japanese in seeing them as an opportunity to extract technology, marketing skills, or other kinds of learning from their partner.

The continuing gulf between attitudes to alliances among Japanese and most western companies was all too evident from several papers presented this week at an international academic conference on the globalisation of Japanese enterprises.

Held at the Manchester Business School and organised by the North West Centre for Japanese Studies, the conference was attended by a large audience of leading Japanese, American and European academics, as well as business executives.

There were few issues on which there was a consensus. But they did agree that one of the west's fundamental problems is that learning from outsiders is far less deeply rooted in western society and business than in Japan. Hence the importance of the concept of "organisational learning" which is now sweeping American and European industry.

The point was put most forcefully by a professor from Auburn University, Alabama. He declared that American companies quite simply fail to perceive alliances as a form of learning. "We don't understand the importance of the technology we give up. Hence the generally one-way flow of it to the Japanese."

HIS comments were reinforced by a controversial study of electronics industry alliances undertaken by a Manchester School of Management academic, Fred Burton, together with a colleague from the University of Boston.

They looked at 208 alliances forged between 1978 and 1987 by seven top Japanese companies, and concluded that the relationships were not working to the advantage of western companies.

Not only was there very little east-west transfer of technology (as distinct from components or products), but the Japanese companies were reluctant to encourage such a flow.

As a result, complained Burton, western companies were becoming increasingly dependent on the Japanese.

The latter, on the other hand, were reducing their dependence on western partners, either by absorbing their skills, or by concluding temporary alliances with several of them at once.

Given the emotive nature of the subject matter, it was fortunate that a paper by a team of Japanese, rather than western, researchers gave the conference the most searching exposition of the way Japanese companies use alliances for what the academics called "inter-organisational learning".

They also redressed the balance somewhat by pointing to a handful of alliances, especially in the semiconductor industry, where the benefits do seem to be reciprocal. In particular, technology transfer is flowing at least partly in the reverse direction, from Japan to the west.

In information technology, and especially in semiconductors, Japanese companies see alliances as a way not only to make up for a company's lack of technology, but also to help accelerate the development of whole new industries, the researchers reported.

Outlining various levels of inter-organisational learning, they christened one type "strategic". But one researcher said revealingly that this could also be termed "value appropriation" from the alliance to its parent partners (or, presumably, to just one of them).

Even more important, the researchers added, is the experience of "learning how to learn" which companies can gain through alliances.

The daunting nature of their message for the west was pretty clear from their brief verbal presentation at the conference. But anyone still in doubt needed only to look at the penultimate paragraph of their written paper. It read thus.

"The following words in [an] interview with an NEC director... pointed out a new direction of alliances as inter-organisational learning: 'Alliances with AT&T have led to large technological effects through co-development with Bell Laboratories. Overlying the technological effects, however, the most important effect that we could learn was how Bell implements its research'."

Quite so. It may already be too late to be worth saying this, but far more western companies need to go out and do likewise.

TECHNOLOGY

Wide-eyed at the view

A new type of television is taking shape, writes Michiyo Nakamoto

If you've just bought a new television set with a 36-inch square screen to show off to the neighbours, you're out of luck. Consumer electronics manufacturers say that the latest hot product is wide-screen TV. As the name implies, it offers pictures that are much wider than deep.

Many European manufacturers, and the Japanese in their home market, have introduced wide-screen TVs in the hope that the premium prices which the new technology commands will boost their profits.

"This is the biggest step for television since colour was introduced," says Timo Ellila, TV product group manager of Nokia, the Finnish electronics group.

Consumers, however, are being told that wide-screen TVs are desirable not only because they are eye-catching and different, but because they are more natural. "Humans have a horizontally-oriented field of vision," says Philips, the Dutch electronics manufacturer.

Gravity also plays a part. Because it holds us to the surface of the Earth, everyday activities usually take place along a horizontal plane.

Wide-screen makers also believe the shape of the screen will appeal to viewers who enjoy the cinema, where the screens are generally wider than high. They claim this type of screen offers more involvement for the audience.

Whether or not wide-screen TV is really more natural or dynamic, there are advantages to a wider format. For example, the wide screen is better suited to transmitting films on to television. Given that films make up as much as 70 per cent of television output at peak periods, this is no small advantage.

Television has had a roughly square-shaped screen for as long as it has been in the home. The screen aspect ratio – the relationship between the width and the height of the picture – has been 4:3. In other words, the screen width of a conventional set is only 33 per cent more than its height.

By creating an aspect ratio of 16:9, wide-screen TV can be more faithful to the original film. The wider aspect means that the width of the screen is nearly 80 per cent greater than the height. The 16:9 ratio was chosen because this is the most commonly used aspect in the cinema, according to Philips.

The new technology will operate on the D2-Mac standard for satellite broadcasts agreed by the EC. The standard is an interim stage in the move towards full HDTV. It gives clearer pictures than the conventional Pal standard used in Europe but is inferior to HDTV.

The main difference between D2-Mac and Pal is that while Pal transmits colour, brightness and sound signals simultaneously from the broadcasting centre to the TV set, the Mac system – both D2-Mac and HD-Mac for full high-definition TV – transmits them sequentially.

The simultaneous broadcast of colour and brightness can cause complicated patterns, such as tartans and checks, to become distorted. Mac broadcasts overcome the interaction of these signals by transmitting them consecutively, which provides clearer pictures. It does so by using advanced digital technology called "time division multiplexing".

Wide-screen TV pictures also have more picture elements, or pixels, which make them brighter and sharper. While today's TV pictures have 120,000 pixels, wide-screen TV pictures broadcast in D2-Mac will have about 180,000 pixels, or 50 per cent more. HDTV, meanwhile, will have about 700,000 pixels. Sound on D2-Mac broadcasts is digital, and the system is capable of carrying eight soundtracks for every channel. This allows for multi-language translations.

Manufacturers are confident that the wide-screen format will eventually become the norm. The problem is that few programmes on TV are made to suit the wide screen. In continental Europe there are about 10 channels transmitting programmes in wide-screen style.

In the UK, BSkyB, the satellite broadcasting company, has been working on a test wide-screen channel but has yet to announce when it will start transmitting in the new format. Despite the spread of satellite TV most viewers in Europe still receive conventional broadcasts, which use the Pal system.

The Commission is committed to providing funds to encourage broadcasters to switch over to D2-Mac. In the meantime, those who are eager to test the new technology can buy a wide-screen TV and watch conventional 4:3 programmes. Since the transmission will not fill the entire screen, black bars – which now often appear when a film is broadcast on TV – will fill the sides of the screen which are not used up.

To overcome the problem, manufacturers have introduced a "movie expand" feature which widens the picture until it fills the screen. This has drawbacks too because it chops off part of the top and bottom of the picture.

Another problem is that the wide format is only impressive if viewed on a large screen. Manufacturers say they are unlikely to bring out sets below 24 inches in size, which means they will remain at the high end of the market.

Wide is beautiful not only on the screen but for amateur photographs as well, judging from the popularity of cameras that shoot pictures several times wider than are high.

Although first introduced about three years ago by Kodak as a disposable camera, the wide-angle cameras have become so popular in Japan that manufacturers have introduced compact cameras made specifically to take only wide-angle pictures.

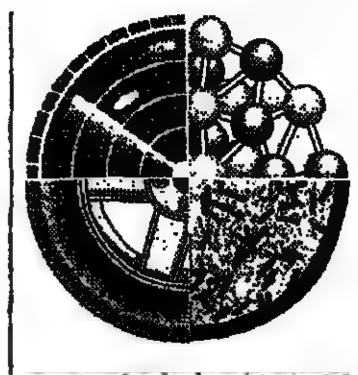
Canon, Minolta, Olympus all have their version of wide-angle compact cameras, which are known in Japan as Panorama cameras. The cameras use conventional 35mm film but the trick is to use a wide angle lens and a masked film. Instead of filling up the whole film, a photograph taken with a panorama camera uses just the centre half of the film by masking parts of the top and bottom sections. Although a roll of 36 shots will produce all 36 pictures the resultant negative will be smaller than a conventional one.

The negatives are then printed on a wide photographicformat. But since they need to be enlarged considerably the end product is fairly grainy.

Panorama cameras have become such a hit in Japan that camera manufacturers have had to produce panorama adaptors that fit on to normal cameras to give the same effect, says Jonathan Brandon at Canon UK. "It looks very impressive for landscapes."

Worth Watching · Paul Taylor

Tiny chip packs a mean punch



Memory chips produced early in the next century will be able to store more than 4bn bits of information – that's 250 times greater in storage capacity than today's biggest chips.

The sweeping pace of miniaturisation, along with reductions in the cost of computer power, has led IBM research scientists in Yorktown Heights, New York, to build the world's smallest transistor.

Using electron-beam nanolithography fabrication techniques the chip's active area measures just 1/75,000th of the cross section of a human hair.

Previously, the smallest transistor in existence was 20 times larger in area. And, according to the researchers, these new transistors can be reduced further in size by a factor of two. IBM: US, 914 945 3844.

Star-Track's next great adventure

Lorry thieves watch out. A stolen vehicle can now be spotted by a satellite orbiting thousands of miles above the earth. As the vehicle moves away from the scene, an alarm sounds at a control base and an operator can guide police to the lorry's location as it moves across a digital map display.

Star-Track, a new vehicle fleet management system launched by Marconi Systems Technology, of Hampshire, gives fleet operators real-time information about their vehicles' location and performance.

The system comprises a base control station with a map and data display screen listing details of up to 30 vehicles, each of which is fitted with a box smaller than a car radio which contains a satellite navigation receiver, communications modem and interface for a range of on-board sensors. Marconi Systems Technology: UK, 0705 260024.

Hard disk resists shock treatment

Until quite recently hard disk drives were not only big, bulky and heavy, but also sensitive to shocks which made them unsuitable for many hand-held electronic devices.

Now Hewlett-Packard has introduced a shock-resistant mini hard disk, dubbed the HP Kittyhawk Personal Storage Module (PSM). The Kittyhawk is a 1.3-inch hard disk drive capable of storing 21 Mbytes of data in a device the size of a matchbox.

Aimed at mobile applications like palmtop computers, electronic instruments, communications and imaging devices, the PSM can withstand an operating shock of 100g. Today's 1.8-inch and 2.5-inch disk drives can only handle shocks of between 10g and 20g.

The drive incorporates an integrated circuit based on the same technology used in cars to sense collisions and trigger air bags. As a result the PSM can sense and brace for a shock before it occurs, keeping data safe.

The device will compete with solid-state technology storage devices like flash memory, but cost only about a fifth as much. Hewlett-Packard: US, 208 323 6000; UK, 0344 361419.

A clear sense of direction

Pity the tourist struggling to read a street map in the wind, or the telephone engineer trying to understand cable diagrams at the bottom of a maintenance pit.

British inventor Jeffrey Woolf has come to the rescue with a hand-held plastic viewer which can be loaded with shrunken credit card-sized maps or diagrams.

Known as the the MicroMap, the viewer has a self-adjusting magnifying glass which keeps the map in focus no matter what the viewing angle. It can also be fitted with tiny glowing "beta" lights for illumination.

His company, Cascade Corporation, is looking for manufacturers to license the invention. Cascade Corporation: UK, 071 233 6788.

OBITUARY

Dharam Hinduja

14.11.1969 - 19.5.1992

The Hinduja family gratefully acknowledges the many friends and associates who kindly sent messages of sympathy on hearing of the disappearance on the 13th of May, 1992 and the subsequent tragic death on the 19th of May, 1992 of Dharam Hinduja, only son of Madhu and Srichand Hinduja.

Dharam, 22, was a charming and accomplished young man – courteous, devoted and highly intelligent. He impressed everyone with his leadership qualities and was highly inclined towards spiritual values. Dharam was the darling of the family and a great human being.

This sudden loss leaves a void in our lives that will never be filled. There does not seem to be any purpose to what has happened. We can only attribute this great tragedy to the strange workings of fate. Everything is in the hands of God and we must place our trust in Him.

Dharam is sorely missed and deeply mourned. We have been most touched by the many letters of sympathy and the tributes to Dharam that we have received.

PEOPLE

FKI reshuffle

Bob Beeston, new chief executive at engineering group FKI, has reorganised the management structure and brought in two of his former colleagues from BTR, the industrial conglomerate. At the same time, Alan Baxter, a main board director primarily responsible for the UK operation, has resigned. A reorganisation into five main divisions centred around products and markets, rather than geography, meant Baxter could not be offered a job of the same status, the company said. His departure represents a weakening of ex-GEC links at the top of FKI.

The new divisional heads, none of whom joins the main board, include two of Beeston's former colleagues from BTR valves. Robert Sook will head material handling and Bill McClure comes in as group controller under the finance director. They will bring "some of the discipline on profit planning that we had at BTR" Beeston said yesterday.

The other new divisional heads are: Joe Withers, hardware; Richard Jones, automotive; James Beckett, engineering; Barry Jameson, process control. Steven Jones becomes director of corporate planning.

European connection

Peter Walker, the former Conservative cabinet minister and now a life peer, has added the chairmanship of Cornhill Insurance to his list of boardroom responsibilities, reviving an insurance connection which stretches back to the early 1950s.

Walker made his debut in the City as an insurance broker, forming Walker Young, which eventually became part of the Sedgwick Group. The appointment is also an appropriate one bearing in mind Walker's pronounced European sympathies. Germany's Allianz, Europe's biggest insurance company, took over Cornhill in 1986. Indeed, as chairman of Thornton Investment Management, now part of the Dresdner Bank group, he already has another introduction to Allianz which is a significant Dresdner Bank shareholder.

Walker, who will head a seven man German-style supervisory board, takes over from Cecil Burrows, 70, who has been with Cornhill since 1938 and chairman since 1988. Walker is not promising any fireworks but some steady expansion could clearly be on the cards. Since 1986 Cornhill's share of the UK general insurance market has remained stubbornly low at around 3 per cent. The formidable German company is not normally content to play a minor role.

Financial moves

■ Wallace Stein has rejoined the board of FORWARD TRUST GROUP. He had left Forward for BALTIC, where he became md of Baltic Asset Finance and a director of Baltic plc.

■ *Richard Raeburn* joins KPMG MANAGEMENT CONSULTING as partner in charge of treasury consulting.

■ Simon Joyce has been appointed divisional director of the Yorkshire operation of CAPEL-CURE MYERS CAPITAL MANAGEMENT.

■ Paul Turtle has been appointed md of TYNDALL & CO.LTD, the deposit-taking bank of Jupiter Tyndall Group. Jack Miller becomes director and head of treasury. Peter Farrelly, director of S.G. Warburg Group Management, becomes a non-executive director.

■ John Callender is appointed md of BARCLAYS MERCANTILE BUSINESS FINANCE following the retirement of Brian Hassell.

■ Nicolo Brandolini has been appointed md and head of UK and European institutional equity sales at LEHMAN BROTHERS INTERNATIONAL. David Bock has been made md with responsibility for government advisory and emerging markets.

■ Bob Pennells has joined POSTHORN GLOBAL ASSET MANAGEMENT as a principal and head of equities. He joins from Hill Samuel Investment Management where he was head of international equities.

Kingfisher flutters European wings

The Kingfisher retailing conglomerate appears to be girding its loins for overseas expansion by yesterday appointing one of its leading retailers to the post of international development director.

He is Jim Hodkinson, 48, a dynamic, straight-talking executive who helped develop B&Q into a strong market leader in the DIY field.

For several years, Kingfisher has been investigating the possibilities of expansion in mainland Europe, in the electrical retailing and DIY markets in particular, but has so far been frustrated through lack of suitable acquisition opportunities.

"We have been looking at Europe in our spare time so to speak and we did not think that was sufficient to drive the process", the company said yesterday.

Hodkinson will relinquish the post of deputy chairman and chief executive at B&Q to take up the new post but will remain on the company's board as a non-executive director. His new job notwithstanding, he still intends to fulfil a long-held desire to retire at 50 and spend the considerable wealth he has amassed in a varied business career.

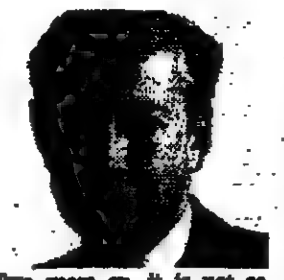
His move neatly solves the succession question at B&Q as it makes room for Alan Smith, currently managing director of Superdrug, to take on the top role. Smith will temporarily be replaced at Superdrug by Woolworths property director Roger Jones until a full-time successor is found.

Trading places with LDC debt

LDC debt trading being a small - if not necessarily cosy - world, it should be no surprise that Paul Luke, formerly economic adviser at Chartered WestLB, has turned up at Morgan Grenfell working for Rick Haller. The two know each other well from their days at consortium bank Libra.

The puzzle is rather that Luke did not come earlier. For when Libra was wound up in 1990, most of its LDC debt trading operation, under Haller, moved to Morgan Grenfell.

Luke, however, considered joining Morgan "the easy option" and decided to "sever the umbilical cord", moving to the Standard Chartered/WestLB joint venture. There he fitted into another team who had left Libra in 1987 to join Standard Chartered.



Two years on, it is not so much that Chartered WestLB has failed to make its mark in the LDC field. Morgan Grenfell Debt Arbitrage and Trading (MGDAT), where Luke becomes a director and head of research and investment strategy, has simply done alot better - contributing healthy profits last year where other traditional parts of Morgan Grenfell have been less successful. MGDAT is now ranked fourth in the world after three big American banks, and turnover in the first five months of this year (at over $22bn) has exceeded that for the whole of 1991 at Luke's former stable ($15.9bn), he says.

"A self-confessed professional Welshman", Luke expects his old employer to be concerned principally with the loss to the newly formed rugby team, the Chartered WestLBeasts, of its captain.

Chartered WestLB's new economic adviser is Peter West, who joins from the United Nations Commission for Latin America and the Caribbean after a varied career specialising in Latin America. "He has on-the-ground experience which Paul did not" says managing director Peter Sargeant.

FT LAW REPORTS

Debtors can claim for BCCI set-off

MS FASHIONS LTD AND OTHERS v BANK OF CREDIT AND COMMERCE INTERNATIONAL SA
Court of Appeal
(Lord Justice Woolf and Lord Justice Scott):
May 22 1992

JOINT DEBTORS under a charge to an insolvent company in liquidation can proceed against it to ascertain whether the set-off of mutual debts as between one of their number and the company under the Insolvency Rules is effective to reduce their joint net liability.

The Court of Appeal so held when allowing an appeal by prospective plaintiffs, MS Fashions Ltd, MS Fashions (Wholesale) Ltd and Mr Mohammed Sarwar, from Mr Justice Millett's *ex parte* decision refusing them leave to bring proceedings against the prospective defendants, Bank of Credit and Commerce International SA and joint administrative receivers of the companies appointed by BCCI under a debenture.

An appeal against the judge's refusal to restrain the receivers from continuing in control of the companies' affairs and assets was dismissed.

LORD JUSTICE SCOTT said that since 1980 the two companies had been customers of BCCI and had borrowing and overdraft facilities.

BCCI had taken security. Each company gave a debenture to BCCI, and cross-guaranteed the other's debt.

In addition, security for the companies' debts was given by Mr Sarwar and his brother by a charge of property in Leeds.

Under the charge the two companies and Mr Sarwar and his brother, defined together as "the principal debtor", covenanted with BCCI to pay "all moneys and liabilities … due, owing or incurred" by them to BCCI.

The effect was to render each of the four parties included within "the principal debtor" jointly liable for the monies and liabilities.

Mr Sarwar had some £300,000 on deposit with BCCI.

Under a letter of charge dated December 9 1985 he charged the sums standing to his credit with payment of the companies' indebtedness to BCCI.

On July 5 1991 a provisional winding-up order was made against BCCI. On November 12 it made demands for payment of the sums owed by the two companies.

It demanded £135,981 against MS Fashions and £433,964 against Wholesale. It demanded against each company the sum for which demand had been made against the other company.

It demanded also that Mr Sarwar and his brother paid each of those amounts.

So there was a comprehensive demand against each of the potential debtors for the total indebtedness owed by the two companies.

The effect of those demands was to transform what might previously have been only a contingent debt into a present debt.

On January 14 1992 a winding-up order was made against BCCI.

BCCI was heavily insolvent. Those to whom it owed money could expect only a dividend.

There was no defence available to the companies or Mr Sarwar in answer to their obligation to pay the total £569,945 odd demanded by BCCI, save under rule 4.90 of the Insolvency Rules 1986.

Rule 4.90 provided that where, before a company went into liquidation, there had been mutual debts between it and a creditor claiming to prove in the liquidation, "the sums due from one party shall be set off against the sums due from the other".

Mr Driscoll for Mr Sarwar contended that the set-off operated as at date of winding-up.

He said the effect of rule 4.90 was to diminish the debt owed by Mr Sarwar to BCCI from the initial figure (£600,000 as a round sum) leaving him as a debtor to BCCI in the net amount of £300,000.

It was contended that £300,000 was the only sum he owed to BCCI and which the companies owed to BCCI.

On that footing the companies and Mr Sarwar desired to discharge the indebtedness and redeem the debentures.

Mr Pascoe for BCCI contended that it was not open to the companies to take advantage of the set-off.

It was not disputed that the effect of rule 4.90 was to reduce Mr Sarwar's indebtedness but, it was said, the two companies remained indebted in the full amount.

If that was so, BCCI was entitled to claim the full £600,000 from the companies and then became accountable to Mr Sarwar for the £300,000. But Mr Sarwar's recovery in respect of that sum would be limited to the dividends payable in the liquidation.

Those contentions treated the operation of rule 4.90 as if it were a matter of election by BCCI whether or not to invoke the set-off. BCCI could not be required, it was said, to set off the £300,000 against the debt owed by the companies.

That was the view that attracted Mr Justice Millett.

He said release or discharge of a surety did not discharge the principal debtor, and it followed that BCCI could if it wished release the guarantee and still enforce its security in full, notwithstanding that it had already demanded payment from Mr Sarwar.

He said BCCI was not bound to release the surety. It might proceed in any order it chose. It might enforce its security against the principal debtor before seeking to enforce the guarantee for the balance, if any.

It was correct that release of a surety did not discharge a principal debtor. Nothing but payment did that. Also, BCCI could, if it wished, release the guarantee and still enforce its security against the companies.

But that was not the point.

It was plain enough that payment by the surety not only released the surety, but also discharged or reduced the principal debtor's liability to the creditor.

The set-off effect of rule 4.90 in reducing Mr Sarwar's liability corresponded to payment of a corresponding amount made by Mr Sarwar to BCCI.

If that was the right analysis, operation of the set-off reduced to £300,000 the debt for which both the principal debtors, and the surety, Mr Sarwar, were liable to BCCI.

Rule 4.90 could not properly operate unless it operated in reduction of the debt owing to BCCI for which, at date of liquidation, the principal debtors and the sureties were all liable.

If it did so operate, all that was left for BCCI whether against the principal debtors or the sureties, was the balance of the original debt.

Leave should be granted to Mr Sarwar and the companies, to seek a declaration that the amount of the debt which they owed BCCI had been reduced by operation of rule 4.90 to the extent of the sum standing to Mr Sarwar's credit in his deposit account with BCCI at the date BCCI went into liquidation.

If on the hearing of the application BCCI or the receivers thought of other arguments or found other authorities which invalidated the present conclusions, it was open to them to employ them. His Lordship simply dealt with the matter for the purpose of leave and on the basis of conclusions which seemed at the moment to be impelling.

With regard to the application for an injunction to restrain the receivers from acting in the receivership, though the court had not seen the debentures under which they were appointed, it was common ground that even if on the set-off point the companies and Mr Sarwar were correct, they owed £300,000 to BCCI.

They had not paid. There could therefore be no challenge to the validity of the receivers' appointment. The security held by BCCI entitled it, following the demand for payment and in the absence of payment, to appoint receivers.

It was well-established that unless a mortgagor debtor had tendered the sum owing to the mortgagee creditor, the mortgagee creditor remained entitled to exercise whatever remedies the security provided.

The appeal against Mr Justice Millett's refusal of the injunction was dismissed. the appeal against his refusal of leave to bring proceedings was allowed.

LORD JUSTICE WOOLF gave a concurring judgment.

For Mr Sarwar and the companies: Michael Driscoll QC and Francis Tregear (Zaiwalla & Co).

For BCCI: Martin Pascoe (Lovell White Durrant).

For the receivers: David Marks (Dibb Lupton Broomhead & Prior).

Rachel Davies
Barrister

Theatre/Malcolm Rutherford

Déjàvu

Just over 25 years on, John Osborne has done it again. *Déjàvu* is not *Look Back in Anger*, but it has every claim to become the most talked about play in London. The only reservation apart from the length – a good three hours – and the uncertainty about how to bring it to an end is whether you need to know the earlier piece in order to enjoy the latter. My guess is that *Déjàvu* just about stands in its own right.

Osborne has forgotten nothing since the height of his powers. A quarter of a century later, Jimmy Porter and Cliff are still there, relatively affluent and with Jimmy tending to be known as JP. But instead of Alison, Jimmy's wife, there is now Alison, his daughter, and instead of Helena, his wife's friend, there is now Helena, the friend of his daughter. The rest of the plot is much the same, right down to the use of the ironing board and the switch of allegiance.

Apart from the sheer pleasure of seeing *Look Back* revisited, there are two fundamental reasons why this production by Tony Palmer works so well. One is that Osborne at his best is such a brilliant stage-writer: the words and the allusions come tumbling out, joke after joke.

The other is that this Jimmy Porter – the ageing John Osborne in all but name – is played by the youngish actor, Peter Egan.

This is crucial to the success. It means that even when JP is at his most cantankerous and bilious, he still has a youthful charm. The danger of playing him like a stereotype – angry young man turned reactionary fogey – has been avoided. Although Egan appears to get through enormous quantities of red wine and champagne in the course of the show, it never seems that it is wholly the drink that is talking. This is Porter Senior reflecting on Porter Junior: curiously enough he tends to the conclusion that the generation of the 1950s had it better.

Jimmy looks younger than Cliff (Gareth Thomas), as perhaps he always was at heart. What they still have in common, however, is the ability to turn on a double act. The two man cabaret show is at the heart of their performance. Where Osborne scores, just as he did in *Look Back* and also in *The Entertainer*, is in mixing the corniest of old music hall jokes with the most literary.

Some of the awfullest old lines are repeated, like "my feet hurt" – "why not try washing your socks?" Then we are off with "Auntie Wordsworth". Osborne's language is steeped in Shakespeare. Remember that team of comics, Jock and Day, who stood tiptoe on the misty mountain top? This mock-literary stuff is the preferred home of Jimmy and Cliff. They were, as one of them says in *Déjàvu*, camp before anyone knew what it meant.

There are also the Osborne swipes at fashionable trends. JP has become a wine snob, and uses the language to dismiss the Nicaragua '89. In the Osborne world there is now an A level in joined-up writing; for GCSEs you do Elton John since nobody has heard of T.S. Eliot. The local shopping precinct is called after Winnie Mandela. But the style is not repetitive because the jokes are so infinitely varied.

There is a lot more besides. The Sunday papers are back: Osborne claims not unfairly to have invented the category "posh". The bears and squirrels of *Look Back* now appear regularly in the Valentine's Day messages in *The Times*. If the earlier work was seminal, this is an essential catch-up.

Comedy Theatre, 071 867 1045

Alastair Muir

Gareth Thomas and Peter Egan

The Master and Margarita

This is a theatrical version of Mikhail Bulgakov's novel, which in recent years has swept literary Europe in many translations. Not long ago Andrew Clements reported here on York Höller's operatic version, and it is not the only one: the book seems to capture imaginations wholesale. Though *The Master and Margarita* was Bulgakov's *magnum opus*, it was published only in 1966-67, a good quarter-century after his death.

The book is a long, wildly imaginative affair; what the Four Corners Theatre Company offer at Hammersmith is tidy and concise, but seems to encapsulate the peculiar charm and fantasy of the novel. "Seems": having only dipped into its pages, I can't answer for the faithfulness of David Graham-Young's adaptation – but it stands beautifully on its own funny little feet. Though we can guess that a thousand fanciful details must have been trimmed away, the 17 scenes of the "play" – more like a tale partly narrated, partly illustrated in quirky vignettes – gleam with character.

While her writer-lover, "The Master", languishes in an asylum, Margarita encounters the Devil in Moscow. He is probably a *real* Devil, but quaintly decadent, and he manipulates events as much toward benign ends as perverse ones. Through him the characters of The Master's unfinished novel about Pontius Pilate enter the action, and other mock-historical personages; meanwhile Margarita places her fate in his hands, and he leads it through curious byways to a metaphysical happy ending.

There are a lot of people involved, and the eight Four Corners actors play them all with resourceful flair. Except with preconceptions from the original Bulgakov, one could hardly imagine them more neatly realised, even the least of them. Despite some cool murders and an accidental decapitation everybody preserves an air of composed innocence, the better to set off the magical strangeness of what goes on.

As adaptor and director, Graham-Young has ensured that not one line or move fails to make an intuitive point. The prevailingly mild tone of the proceedings is broken just once to brilliant effect, by a necrophilic, Poe-flavoured ball in the Devil's apartments (gleefully choreographed by Lynn Seymour to the waltz from Khachaturian's *Masquerade*). The effect of the whole is pungent, delicate and elusive, engaging and oddly satisfying.

David Murray

Lyric Studio, Hammersmith to July 4

Praemium awards

Anthony Caro has been awarded the 1992 Praemium Imperiale Prize for sculpture, it was announced yesterday in Rome. Other winners were Pierre Soulages (France, for painting); Frank O. Gehry (US, architecture); Alfred Schnittke (Germany/Russia, music); Akira Kurosawa (Japan, theatre/film). Each will receive £63,000 at a ceremony in Tokyo on October 29.

Fine art/Patricia Morison

Polish treasure

When young J.-L. David was asked in 1780 by a rich, young Polish noble for a portrait, he produced a masterpiece which marked him out as the equal of any artist in Europe. "Count Stanislaus Potocki" is a vast painting, no less than three metres high, an achievement in the mould of Velasquez or Van Dyck. Unquestionably, it is the jewel of an otherwise less than sparkling exhibition, *Treasures of a Polish King*, which is now at the Dulwich Picture Gallery.

Unless you caught Count Potocki's portrait at the great David show in Paris in 1989, it is definitely worth trying to catch this appealing picture. David's inspiration was to reinterpret the pomp and circumstance of the equestrian portrait with its overtones of antique grandeur, for a fashionable world which had also come to value effects of studied informality.

With doffed hat the count courteously greets us, his audience. Every inch the horseman, he sits rock-steady and needs barely to hold the reins, even though his mount is clearly disconcerted by the dog (is it a Dalmatian?) barking beneath its nose. The only touch of red in the canvas is on the dog's collar, placed there to draw attention to the artist's signature. What the photograph cannot convey is the gaiety of the colours. Yellow and white predominate, with eye-catching turquoise for the count's silk sash, his saddle, and the ribbons charmingly twined around his horse's ears and tail.

Normally, this portrait hangs in the Wilanow Museum in Warsaw, which the cultivated Potocki himself founded. The exhibition itself is part of a two-way traffic between Poland and the UK: thirty paintings, among them some of Dulwich's most desirable, are now displayed in Warsaw. The idea for the double-exhibition is a nice one, to commemorate the cultural ambitions of a visionary Polish ruler, Stanislaus II Augustus.

The Dulwich connection comes about because he had two agents in England, Noel Desenfans and Francis Bourgois, who put together a collection of paintings for his beloved project, a national museum in Warsaw. It took them five years and they lost their shirts on the venture; the king's abdication in 1795 meant the collection stayed in England. It was bequeathed to Dulwich College and in 1811, Sir John Soane's famous gallery was opened as the first public art gallery in the land.

Adam Zamoyski's catalogue essay on Stanislav is a triumph, well worth £6.95. It evokes with real poignancy the rise and fall of this most attaching of Enlightenment rulers. Never go to bed with a Russian, might be the moral of his story. From being the adored lover of Catherine the Great, Stanislaus became a Russian poodle forced to watch first the partition, and then the extinction, of his country.

One day no doubt there will be a grand exhibition about Stanislaus, who achieved things of enduring importance for Poland's self-image. However, such a show lies in the future. With the exception of the David portrait, the Dulwich show is distinctly low-key, and in my book a display of embroidered sashes did nothing to cheer it up.

Admittedly, this is a chance to see a notable portrait by Mengs of Sir Charles Hanbury Williams, the king's cultural guru, also two important views by Bellotto, one of which was used for the reconstruction of Warsaw after the Second World War, and a currently de-attributed Rembrandt portrait.

A paltry group of architectural drawings do not go far to convey Stanislav's ambitions to build in a way which would symbolise the monarchy's, and Poland's, resurgence. He imported Neo-Classicism into the royal palaces. It is a pity there is only one drawing by the most distinguished of Stanislaus's foreign protegés; Victor Louis, architect for Port-Royal in Paris and the Grand Theatre in Bordeaux.

David's vast painting of Count Stanislaus Potocki, currently at Dulwich

Not only budgetary problems but political difficulties dogged Stanislaus's building ambitions. Here again, it is Zamoyski's contribution which is memorable. It appears that among the king's many difficulties was the existence of a wondrously daft 16th-century doctrine; Sarmatism.

The Polish nobility believed it was descended from the Sarmatians, a barbarian tribe from the Black Sea who swept into Poland in the 6th century. This pleasing doctrine took firm root – small wonder since it taught that because the Polish peasantry were Slavs they were, quite literally, a race apart from their masters.

Sarmatic sympathisers liked their architecture "extravagant and fantastic". Perhaps it was to appease them that Merlini's delightfully silly elevation for an Academy of Sciences married a pseudo-medieval crenellated tower to an immense classical facade. I found this one of the more memorable things in the exhibition; sad that Merlini was never able to build his hybrid.

The journey to Dulwich (in south London) is now easier. Winner of the 1991 Prudential Visual Arts Award, the Picture Gallery has put its winnings into a bus service, running through the day, Tuesdays to Sundays. The service starts at 9.15 am and picks up from the Tate and then the National Gallery: for times ring 081-693-5254.

Collections for a King, Royal Castle, Warsaw, ends August 12; Treasures of a Polish King, Dulwich Picture Gallery, ends July 26.

London concerts

Sumi Jo & Raúl Giménez/Andrew Constantine

The London Opera Festival – no longer "International" in the umbrella title, though still notably and imaginatively international in its concerns – is again unfolding before the city's eyes and ears. It lasts until July 4, and offers 25 different events in 12 different venues.

Many of these comprise adventurously out-of-the-way small-ensemble events in theatres like The Place and the Riverside. Tuesday's opening concert had, however, a distinctly old-fashioned air. It was a Grand Vocal Concert by two leading singers, who offered a succession of items from the bel canto repertory on the large stage and in the un-intimate acoustics of the Barbican Hall. The hamfisted ineptitude of their pianist, who regularly fell behind the beat as she struggled to turn the pages of her music, transported one in a time-capsule back to the days when Voice Was All and laughably unmusical accompaniments could be tolerated as being meant to go unnoticed.

Was such a display mounted for educational reasons, a sort of enacted tableau of historical authenticity? If so it was a particular slight to the tenor, Raúl Giménez, who (as he has shown in Royal Opera revivals of Rossini and Donizetti operas) is a marvellously graceful and elegant singer of this music, a stylist of the first order deserving of matchingly stylish support. Even through the pianist's wrack and fog one could enjoy and admire his softly moulded, sweetly coloured tones, the pliant delicacy of his phrasing, his readiness to spin out both recitative and aria in such numbers as the beautifully tender tenor romance from Rossini's *Pietra del paragone*.

The soprano – who came together with the tenor only in a single duet, from *Lucia*, at concert's end – was "historical" in a slightly less fastidious fashion. Sumi Jo, recently Offenbach's Olympia, Donizetti's Adina and Bellini's Elvira at Covent Garden, has a deliciously pearly instrument, light and pure (though on this occasion a touch of edge marred its highest notes). But she sounded here more like a teacher's best pupil than an independent, fully formed artist; a feeling of carefully – mechanically? – learned routine made itself felt in number after number, song or aria as may be. Her pert singing of "Una voce poco fa" added to the effect at once comical and faintly depressing of the whole concert.

Max Loppert

As winner of the 1991 Donatella Flick Conducting Competition, young Constantine got to conduct the London Philharmonic on Tuesday. He has been studying in St. Petersburg, and chose an all-Russian programme – to which was added, late in the day, a Verdi *scena* for Montserrat Caballé. If the quality of her mature soprano now rarely suggests a Desdemona, she made her own mark by stately authority and grandly sculpted phrasing.

Constantine treated Verdi's extraordinary wind-writing in the *Otello* music with loving care. For the pianist Nikolai Demidenko he honed Rakhmaninov's orchestra in the "Paganini" Rhapsody to a bright gleam, and made an alert partner to his dazzling soloist. Not only is Demidenko a phenomenal technician, but in this work he graded his attack to the music of the moment with faultless instinct: here chords like axe-blows, there the pearliest filigree – and everywhere, an exact grasp of the various relations in which Rakhmaninov's piano here stands to the band.

About Tchaikovsky's Fantasy-Overture "Romeo and Juliet" and Prokofiev's Symphony no. 5, Constantine had his own definite ideas: never eccentric, once in a while too overtly insistent. His platform-manner was assured and direct. "Romeo and Juliet" had been prepared with passionate care, as if to rescue it from routine pop-status; indeed, he forced us to listen with unusual attention, but achieved no great illusion of spontaneous flow.

In that piece, with its many repetitions, dwelling with unwonted, drawn-out fervour on ultra-familiar passages was bound to sound self-conscious. Something like that happened with the first movement of the Prokofiev too, much of it taken (arguably) just under tempo: the result was *magniloquent* and heavy, with none of the lithe spring that should carry it forward. The rackety scherzo and the Adagio, convincingly quicker than usual, were much better judged, and the Finale drove to a fine whooping close.

In all the main works there were small problems of balance. A grossly prominent tuba regularly threatened to swallow its colleagues; over-eager horns and light drums distracted the ear from the main musical burden; the upper strings' *pizzicati* had too little Prokofievian sting to make themselves felt. But definiteness of intention is a great thing, and Constantine's shaping of the music was never short of it: this intelligent, well-schooled conductor should mature fast.

David Murray

INTERNATIONAL ARTS GUIDE

Musikfest am Tegernsee (July 4-14) is one of Europe's youngest festivals – it was founded by violinist Oleg Kagan and cellist Natalia Gutman three years ago – but its lakeside setting at the foot of the Bavarian Alps makes it also one of the most peaceful and picturesque. Run by Gutman alone since her husband's premature death, the festival combines an intimate, relaxed atmosphere with high-powered music-making from Russian virtuosi. This year's recitalists include Sviatoslav Richter, Yuri Bashmet, the Borodin Quartet and Eliso Virsaladze. Martha Argerich and the Hilliard Ensemble are also due to give concerts (Kurverwaltung Kreuth/ Rudi Wolf, Nördliche Haupstrasse 3, D-8185 Kreuth. Tel 0829-1819 Fax 0829-1828).

For those who prefer their musical entertainment on a larger and more vocal scale, this summer's programme at the Verona Arena has plenty to offer. The season opens on July 1 with Don Carlo, conducted by Gustav Kuhn. La bohème follows on July 3, and there will be 16 performances of Aida and five of Nabucco. The soloists include Neil Shicoff, Luis Lima, Renato Bruson, Aprile Millo and Cecilia Gasdia. Lorin Maazel will conduct a concert performance of Porgy and Bess (Aug 24), and there will also be four performances (Aug 19-22) of a John Butler choreography in the Teatro Romano, with music by Orff (45-800 5151).

The Cleveland Orchestra visits the London Proms in the last week of July with its chief conductor, Christoph von Dohnanyi, before giving three concerts at the Salzburg Festival. The programmes include a new work by Herbert Willi, one of Austria's most successful young composers. Dohnanyi's wife Anja Silja will be soloist in Weill's Seven Deadly Sins and Jose van Dam will sing Mahler's Rüuckert Lieder. Dohnanyi, at present conducting Der fliegende Holländer in London, will also conduct the Salzburg Festival's new production of Salome. The Cleveland Orchestra has been invited to Salzburg in 1994 for concert performances, and in 1995 will take up an extended residency at the festival.

EXHIBITIONS GUIDE

BALTIMORE

Museum of Art Design 1935-65: What Modern Was. The exhibition includes furniture, textiles, tableware and jewellery, charting the course of Modernism during a period of great political change. Ends Aug 2. Also French Posters: 40 turn of century advertising posters by Toulouse-Lautrec and others. Ends Aug 9. Closed Mon and Tues

BARCELONA

Fundacio la Caixa Sports in Ancient Greece: a guide to the customs, rituals and philosophy of sport in ancient Greek culture. Ends Aug 9.

Pia Almoina Medieval Catalonia: an exhibition divided between three different locations in the Barrio Gotico in the old part of the city. Pia Almoina (first building to the left of the cathedral) houses the first section, entitled Genesis of Catalan Romanesque Art. The second part, Between Tradition and Innovation, is housed in the Old Royal Palace at Placa del Rei. Part three, The Golden Age, is at St Anne's Church, behind Placa Catalunya. Ends Aug 9

BASLE

Kunstmuseum Transform: 20th century sculpture. The exhibition explores the multiple inter-relationships between painting and sculpture and the resulting new forms of expression which can no longer be integrated into traditional artistic genres. The Kunstmuseum focuses on painter-sculptors such as Matisse, Picasso, Giacometti and Miró. The Kunsthalle has 'object art' installations by Beuys, Borofsky, LeWitt, Johns, Nauman and others. Ends Sep 27. Daily

BERLIN

Haus der Kulturen der Welt Civilisation of ancient Peru. Ends Aug 30. Closed Mon

Museum fur Moderne Kunst Im ganzen Haus: a wide-ranging survey of the museum's own collection, taking in Dada, the east European avant-garde, the Neue Sachlichkeit and recent acquisitions. Ends July 19. Closed Mon

Schloss Charlottenburg Palace of the Gods: 1500 years of Indian art. Ends June 28. Closed Mon

BRUSSELS

Palais des Beaux-Arts David Hockney: 73 works. Ends July 26

ESSEN

Villa Hügel London: World City 1800-1840. The fourth in a series devoted to cities at their zenith, the exhibition includes 700 objects reflecting London's wealth, dynamism and commercial strength in the era after the Napoleonic wars. Ends Nov 7

GENEVA

Petit Palais Louis Valtat and the Fauves: 50 paintings, with a special focus on Valtat, a precursor of the Fauves. Ends Sep 30. Closed Mon

LAUSANNE

Fondation de l'Hermitage Odilon Redon (1840-1916): 200 works by the French Symbolist painter whom the Surrealists regarded as one of their precursors. Ends Sep 21. Closed Mon

Musée d'Art Contemporain Post Human: the first major exhibition documenting the art world's reaction to the latest developments in technology. It brings together the work of 30 artists from Europe, America and Japan. Ends Sep 13. Daily

MARTIGNY

Fondation Pierre Gianadda Georges Braque: 70 oils, as well as lithographs, engravings, collages and statues, retracing the artist's progress from classicism to fauvism, the historic cubist adventure with Picasso, his path to national celebrity status and how he was called on to decorate a ceiling in the august rooms of the Louvre. Ends Oct 25. Daily

MONTREAL

Museum of Fine Arts The Genius of the Sculptor in Michelangelo's art: a selection of drawings (including about 50 by Michelangelo), together with small-scale models by the artist and by contemporaries and followers. The exhibition, which also includes 16th and 17th century engravings and paintings based on the artist's sculpture, aims to place Michelangelo's sculptural activities in the context of his entire output. Ends Sep 13

NANCY

Musée des Beaux-Arts Art in Lorraine at the time of Jacques Callot: an exhibition, drawn from collections worldwide, celebrating the 400th anniversary of the birth of the great etcher from Nancy. Other artists represented are Jacques Bellange, Georges de la Tour and Claude Deruet. A companion exhibition devoted to Callot is at the Musée historique lorrain. Ends Sep 15. Closed Tues

NEW YORK

Museum of Modern Art Louis I Kahn: In the Realm of Architecture. A large-scale retrospective devoted to the most important American architect since Frank Lloyd Wright. Ends Aug 18. Also Antoni Tapies (b1923): prints and illustrated books by the celebrated Catalan artist. Ends Aug 9. Closed Wed

Metropolitan Museum of Art Korean Ceramics from the Ataka Collection: 114 exquisite works surveying the full flowering of Korea's ceramic tradition from the 10th to 19th centuries. Ends July 12. Also Andrea Mantegna. Ends July 12. Royal Art of Benin. Ends Sep 13. Closed Mon

PARIS

Parc de Bagatelle Henry Moore: a major outdoor exhibition of 27 over life-size bronze sculptures, ranging from the 1950s to the last great works of the 1980s. Ends Oct 4 (Bois de Boulogne)

Galerie Didier Imbert Henry Moore intime. Ends July 24. Closed Sun (19 ave Matignon)

Musée Guimet From the Tagus River to the Chinese Sea: ceramics, porcelains and gold brocade bringing back the magic of Portuguese commercial links with the East Indies from 1513 onwards. Ends Aug 31. Closed Tues (6 place d'Iéna)

Le Louvre des Antiquaires Les Jardins du Baron Haussmann: documents, plans and engravings showing Paris of the Belle Epoque. Ends Oct 4. Closed Mon (2 place du palais Royal)

Galerie Schmit French Masters of the 19th and 20th centuries. Ends July 16. Closed Sun (396 rue Saint Honoré)

Grand Palais The Vikings. Ends July 12. Closed Tues, late opening Wed (ave du General Eisenhower)

Musée D'Orsay Guimard (1867-1942), art nouveau designer. Ends July 26. Closed Mon

Louvre Clodion (1738-1814), French sculptor. Ends June 29. Closed Tues (Hall Napoleon)

WASHINGTON

Corcoran Gallery of Art Max Weber: the Cubist Decade 1910-20, featuring 64 works with emphasis on city views. Ends Aug 9. Also Berlin Art in the Nineties: paintings, sculpture and photographs by nine younger-generation German artists. Ends July 5. Closed Mon

National Gallery of Art Art of the American Indian Frontier. Ends Jan 24. Dürer to Diebenkorn: 114 recent graphic art acquisitions, including works by Holbein, Goya, Gainsborough and Caspar David Friedrich. Also Käthe Kollwitz (1867-1945). Ends Aug 16. Ernst Ludwig Kirchner, German expressionist painter. Ends Aug 16. Jacques Callot: etchings and engravings by the early 17th century French printmaker. Ends Sep 7. Daily

FINANCIAL TIMES

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The EC-US soyabean war

US FRUSTRATION with the EC's behaviour over oilseed imports is understandable. But it cannot justify the decision to retaliate by imposing punitive tariffs on $1bn of farm imports from the EC, about a quarter of the EC's farm trade with the US. Unpredictable political forces are at play both in the US (the Perot factor) and in Europe (the Denmark factor). Retaliation could even scupper hopes of progress in the Uruguay Round of talks on world trade liberalisation and lead to escalation into wider trade conflict.

The dispute over oilseeds has deep roots. In the 1970s the EC introduced a system of subsidies that encouraged oilseed production, thereby undermining a 1962 commitment to give soyabeans and soyameal from the US duty-free access into EC markets.

Since 1987 the US has twice had its complaints upheld by dispute settlement panels of the General Agreement on Tariffs and Trade (Gatt). EC efforts at reform have satisfied neither the US nor, more significantly, the international trading community.

Both impatient and cynical over EC delays, the US announced a month ago that if the EC failed to reform its oilseeds regime, punitive tariffs would be imposed on $1bn of EC farm exports. This it was entitled to do under the Gatt.

Irrevocably weakened

EC officials argue that the US irrevocably weakened its position in the EC when it embargoed soya exports in the mid-1970s during a domestic shortage. This created concerns in Europe about security of supply and opened the gate to Latin American producers. The US has been losing market share to such low-cost producers ever since, a development that has nothing to do with the new EC subsidy regime, argue EC officials.

Nevertheless, last week the EC responded to the pressure. Though continuing to dispute the rulings, the EC agreed to compensate US exporters in settlement of the dispute – an option open to the EC under Gatt rules, which removes Gatt backing for US retaliation.

Clever ploy

EC officials presumably saw this as a clever ploy, but they may have failed to reckon with "the Perot factor" in the US. President Bush has won praise from the soyabean lobby in the US for playing hardball with the EC. This is important for him as he prepares to enter a three-man race for the presidency, behind Ross Perot in many polls, and desperately needing to hold on to the Republican base in Midwest farm states.

The danger is that President Bush will press ahead with unilateral retaliation, disregarding the fact that he no longer has a Gatt sanction for doing so. The EC would find it hard to resist a counter-attack. There would then be little prospect of further progress towards a settlement of the US-EC farm trade dispute that blocks successful conclusion of the Uruguay Round.

Both sides have to move with great care, since far more is at stake than soyabeans. The US has the discretion to play the dispute long. President Bush can pause for up to 210 days before he imposes punitive tariffs. He should do so.

Equally, the EC must now move swiftly in drawing up its compensation list. The danger of conflict can also be defused by skilful choice of the goods on the list: the more it comforts the US farm lobby, the better. And, should the US now retaliate, the EC should hold back on counter-retaliation and, instead, work even harder to settle the issue within the Uruguay Round.

A case for police investigation

A SYSTEM of grants and expenditure controls which fails to encourage the efficient management of resources. Blurred lines of accountability. A mismatch between financial and management responsibilities. The Audit Commission's charge list offers ample justification for Mr Kenneth Clarke's two reviews into the UK police, the second of which was announced on Wednesday when the Home Secretary addressed the chief police officers' conference.

As with other managerial reforms of public services, the driving force behind the government's reviews will be economy and efficiency. The cost of policing, which has risen almost 75 per cent in real terms since 1979, will be a target for the Treasury in a tough public expenditure round.

But the issue of effectiveness is also central for a government which claims law and order as its strong suit. Money has been poured into police manpower, pay, support services and equipment in the 1980s. Yet levels of recorded crime have doubled while the proportion cleared up has fallen. Worse, public confidence in the police has declined, partly because of well-publicised miscarriages of justice, partly because the service is not seen as user-friendly. Without a relationship of trust, the flow of information from the public dries up, depriving the police of a vital resource in preventing crime and catching criminals.

In seeking to tackle these issues, Mr Clarke is pushing at a door which, if not wide open, is at least ajar. Many senior police officers have recognised the failings of the old ways and the need to rebuild public trust. Greater flexibility in staffing and working patterns are being introduced. The most go-ahead forces (now restyled police services) have adopted devolution of management, policing by objectives and customer service initiatives well in advance of the Citizen's Charter. Though they have yet to make an impact on crime levels, there is evidence that these steps have begun to restore confidence in the police.

However, intractable issues remain to be tackled by the Home Secretary's reviews. The rank-based career structure has produced top-heavy management, in which the best police officers are encouraged to become administrators. Perverse incentives built into the financing system encourage the recruitment of extra officers but discourage the substitution of cheaper civilians where they can do the same job.

And there is a real problem of accountability in the present structure with many police forces accountable either to joint boards or – in the case of the Metropolitan Police – only to the Home Secretary. If the Local Government Commission creates unitary local authorities based on smaller districts rather than larger counties, the link between police authorities and elected local politicians will be further attenuated.

Mr Clarke is well-placed to deal with such challenges. He has already pushed through far-reaching reforms of the health and education services, in the teeth of opposition from the professionals. In this instance, he has attempted to carry along the police, with skilful speeches to the annual conferences of the chief officers and the rank and file. Their co-operation will be essential to the success of the solutions which his reviews devise, and he is wise to take steps to keep them onside.

Chip trade war

THE US is supposed to be in favour of the market economy and hostile to "Japan Incorporated". Judged, however, by the US-Japanese agreement on trade in semi-conductors, the US is, in fact, against the market economy, but in support of Japan Incorporated.

Naturally, that is not how the US-Japanese agreement to raise the share of foreign companies in the Japanese chip market to 20 per cent is explained. But how, other than as a violation of market principles, should pressure on Japanese companies to respond to a political *fiat* be described? And how might such an agreement be implemented, other than via a purchasing cartel amongst Japanese semi-conductor users?

The US seems to want the Japanese economy to become the kind of centralised, cartelised economy that many Americans complain it already is. But it is not. The long term relationships characteristic of the Japanese economy are not the exploitative cartels US industrialists complain they are. They are often a sensible market response in an uncertain world.

The US-Japanese semi-conductor agreement, by contrast, does demand cartelisation, if not outright economic planning. Nor is this merely a crafty ploy to undermine Japanese economic strength. It is rather a way for US industry to offset its own weaknesses.

The inevitable failure of an agreement whose fulfilment cannot be guaranteed within a competitive economy increases complaints about Japanese bad faith, thereby augmenting the tensions it is supposed to lower. The lesson of US frustration with this accord is not that it should be implemented with greater vigour; it is that the agreement should never have been made in the first place.

The industrialised and developing worlds have failed again to find a basis for co-operation, writes **Edward Mortimer**

Southern discomfort

The Earth Summit, now drawing to its close, has a definite whiff of the 1970s about it. That, no doubt, is why the US is so visibly uncomfortable there.

The 1970s was not a good decade for America. East-west issues became fuzzy and north-south issues became sharp, with the US repeatedly cast as the villain in the UN, while its European allies tended to criticise American policy and suck up to Arab oil producers.

In the 1980s, America did much better, at least in its own eyes. First, the east-west conflict resumed centre stage, with the US inevitably leading the western side. Then the west emerged as clear victor. The glory of this achievement carried over into the early 1990s. The Gulf war established the US as incontestably the world's leading military power, and the driving force of a revived United Nations. Some American commentators proclaimed the arrival of a "unipolar moment", in which international order would be assured by the projection of American power.

That triumphalism has proved shortlived. Few Americans today seem to feel that their country is uniquely successful or powerful. They are much more preoccupied with economic, social and financial problems at home, and above all with a perceived failure of their political leaders and the system that produces them. How else can one explain the extraordinary popularity of Mr Ross Perot, a man who deliberately eschews political platforms and bases his appeal precisely on being unconnected with the established system?

But, as in the 1970s, their anxiety about their own failures and apparent decline coincides with a reaction against their influence in the rest of the world, and especially among the governments of the south who feel their fragile sovereignty threatened by the combination of American power with the appeal of America's individualist ideology. Even those with reasonable democratic credentials, such as India, Malaysia and most Latin American countries, feel distinctly nervous at the suggestion, widely canvassed in the US and Europe since the end of the Gulf war, that humanitarian or human rights considerations can override national sovereignty.

Few of today's southern regimes feel any ideological affinity with communism. But many do regret the demise of the Soviet bloc which at least, from their point of view, provided an element of balance in the international system: a check on the otherwise unchallenged power of the US. That, of course, is the biggest difference between the 1970s and the 1990s. In the 1970s southern resentment against the US was egged on and supported by the Soviet bloc. Today the south feels that it is on its own.

Not that "the south" is a homogeneous political bloc, such as "the east" used to be. It has no common ideology beyond, at most, a general sense of grievance about its inequality with the north. Nor are southern states linked by any effective system of alliances. Many of them regard each other, rather than the north, as their most dangerous adversaries. Even in its heyday the Non-aligned Movement was never very cohesive, and today it is rendered meaningless by the fact that there is no longer any alignment to repudiate.

The Group of 77, which in the 1970s formulated the demands collectively known as the "new international economic order", was rather more successful; and its reappearance is what gives the Earth Summit such a marked 1970s flavour. Yet it no longer has the same impact, because the *étatiste* approach with which it is associated has largely gone out of fashion, even within the south. Almost all southern governments are now trying to apply "northern" economic policies on the domestic level, and many of them openly aspire to join the north rather than beat it (although one should not forget that in the 1970s Iran, for one, had precisely that ambition).

Above all, most southern states now accept that the global balance of power offers them little or no hope of extracting significant concessions from the north through confrontation. In the 1970s the oil crisis gave Third World governments an increase in borrowing and bargaining power. It was widely imagined that the cartel tactics of the Organisation of Petroleum Exporting Countries could be imitated by producers of other raw materials. But today oil is as cheap in real terms as it has ever been, and other raw materials have followed it more closely on the way down than on the way up.

Can the north's new-found interest in the global environment, and especially in the preservation of natural resources such as the tropical rain forests located in the south, provide an alternative basis for a bargain? That, in essence, was the idea behind the Earth Summit, as its full title, UN Conference on Environment and Development, suggests. Northern governments accepted that the south could not be expected to take ecological demands seriously unless its own agenda of economic development was addressed. Tropical countries thought at last they had got something the north wanted, and would be willing to pay for. As the Malaysian primary industries minister, Lim Keng Yaik, says: "I'm poor and need my forests to get on in life, so if you want them you must pay – and give me technology and investment."

Yet it is clear now that no real bargain has been struck in Rio. Tropical countries are not prepared to accept a legally binding forest convention, seeing it as too great a sacrifice of sovereignty; and northern countries are not prepared to pay anything much. Partly this is because of divisions within each side. European countries, unlike the US, have signed the treaty on biodiversity and have made it clear that they favour tougher limits on CO_2 emissions than the US is willing to accept. On the southern side oil producers are sharply divided from other developing countries on the proposed carbon tax and reduction of CO_2 emissions.

Perhaps, if in the next few years the evidence for rapid global warming gets more conclusive, the north will become more willing to pay for environmental protection and a bargain will after all become possible. Yet it seems more likely that the notion of a north-south bargain is in itself (to borrow a phrase from US President George Bush) "fundamentally flawed". A bargain implies a relationship of equality: each side has something to offer, and something to expect. But the essence of the north-south relationship is inequality. What differentiates the south from the north, in so far as the categories mean anything, is precisely its lack of bargaining power.

Apart from oil and forests, what other assets might give the south the leverage it needs to drive a bargain? Or, to put it another way, what else about the south worries the north? The list is not difficult to compile: weapons proliferation, terrorism, drugs, humanitarianism and sheer numbers. The north worries that a southern state may acquire and use a nuclear weapon, or fire a long-range missile at a northern country. It fears its airliners may be blown up, or its citizens taken hostage. The north worries about the cultivation and export of narcotic substances and dislikes the thought of large numbers of human beings dying of hunger or being tortured, massacred and driven from their homes. And the north also worries at the thought that by 2025 industrialised countries will contain only 15 per cent of a world population of 8bn people (whereas in 1950 they were 20 per cent of 2.5bn).

"This growth," according to former German chancellor Mr Helmut Schmidt, "will inevitably lead to enormous mass migrations and therefore it will lead to armed conflicts and it will lead to wars." Exactly how this would happen is not clear, but the spectre of ever more hungry faces pressed against the window of the industrial world and looking in clearly disturbs the repose of the privileged few who are looking out.

The trouble with all these issues, from the south's point of view, is that they are problems for the south itself before they hit the north. Weapons acquired by southern states are most likely to be used against other southern states. Terrorism and narco-violence are already endemic in many southern countries. Obviously famine, torture and massacre in the south are worse for those directly affected than for those only troubled in their distant consciences. And it is in the south that the burden of overpopulation and mass migration, combined with and perpetuated by poverty, is chiefly felt. If southern countries seek to frighten the north by aggravating or refusing to solve these problems they are effectively threatening to commit suicide.

Moreover, as they see it, most of these problems are the north's fault. The north long ago destroyed its own deciduous forests. The north consumes far more than its share of non-renewable resources, and is the main source of industrial pollution. If southern farmers grow narcotic crops, and southern cartels grow rich and powerful by exporting them, it is because the north provides a ready market for those products while erecting barriers against so many others. The north is also the main supplier of weapons and weapons technology, whether conventional or unconventional. Northern colonialism can even be blamed for some of the conflicts in the south which fuel both the arms race and terrorism.

And the more southern countries seek to escalate these issues in the hope of driving a bargain, the greater the risk that northern countries, and especially the US, will resort to military action in an attempt to impose solutions. Panama and the Gulf war could be prototypes for a series of police actions to deal with Third World proliferators, drug barons and other troublemakers. Although no one really gains from such conflicts, it is clear that the southern states on the receiving end are the ones that suffer most.

If more constructive action is eventually taken to deal with these north-south issues, it is unlikely to result from any crude bargain, but only from each side deciding it is in its own interest to do something about them, rather than sit back and blame the other for not doing enough. Of the two, the north should be better placed to reach a set of conscious policy choices, being by definition the richer, stronger and more sophisticated, and also the more culturally homogeneous. Yet, looking at the present mood of the US, one would hardly think so.

Joe Rogaly

Bark from the Tory pups

The Danes, bless them, have put the fun back in British politics. One account of last week's cabinet meeting concerns a junior minister at the foreign office, Mr Douglas Hogg. He read out a paper that affirmed the government's intention to proceed with ratification of the Maastricht Treaty, when the time seems ripe. When he had finished, it is said, he muttered darkly that he did not believe a word of it. This has been written up in some of the newspapers as both a dastardly attack on the absent foreign secretary, Mr Douglas Hurd, and a daring charge by a supposed centre-forward of the anti-Maastricht brigade, the self-same Mr Hogg.

Other accounts, from several of the grown-up ministers present, have it that when a low-status outsider comes into the cabinet room he or she usually sits in the most conspicuous seat, and reads from a departmentally prepared brief. This sounds a bit like a child creeping shyly downstairs to a posh dinner party, bearing an important telephone message. In Downing Street the appearance of a comic junior like Mr Hogg can be an occasion of some jollity. "Hoggy," one minister said, "was just being Hoggy." He was, I have been trebly assured, simply adding a characteristic throwaway line. It helps if you picture him in pyjamas and dressing gown, pouting slightly.

That pantomime was followed by this week's startling news that the secretary for social security, Mr Peter Lilley, had publicly stated that he supported the government's policy on Europe. He also supported Mr John Major. We were simultaneously informed that Mr Michael Portillo, chief secretary to the Treasury, agreed with Mr Lilley. Always mindful of duty I thereupon asked a number of other ministers whether they too planned to issue statements in support of the prime minister. The light-hearted nature of the inquiry seemed difficult for them to grasp. "What – me?" was the common reply. "My loyalty has never been doubted." Did that mean that Mr Lilley's was? "No." What did it mean? "It means," said one senior minister, "that inexperienced puppies sometimes have to be slapped down."

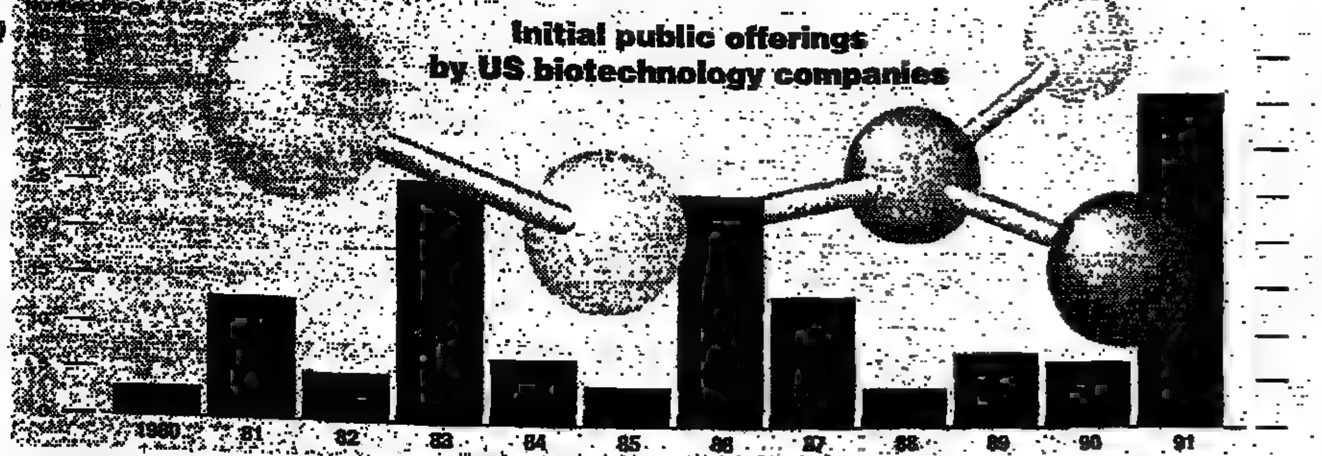
I would not describe either Mr Lilley or Mr Portillo thus. Both are known to be strongly opposed to an accretion of power by a centralised Brussels bureaucracy, but I have no reason to believe that either of them has been disloyal. Neither seems to have had the slightest intention of resigning from the government. What would they resign for? The cabinet does not disagree with them. Neither Mr Major nor Mr Hurd has argued in favour of a European superstate. The prime minister and the foreign secretary both insist that the Maastricht Treaty represents a victory for the proponents of free co-operation by national governments. Neither would contemplate putting the bill to ratify it back before the Commons until it is certain that it will get through.

The cacophony is sufficient to wake the dead, although not yet, it appears, the Labour party

The tricky question before Mr Major is: will that day ever come? The answer depends on events beyond his control. If the Irish vote Maastricht down next Thursday that will be the end of it. If they vote in favour we will await the French referendum in the autumn. If they say yes, it is back to the Danes. Meanwhile the bill will remain on the shelf. The prime minister, who hugely enjoys the game of day-to-day politics, is not about to risk a head-on clash with his own party, not if he knows he will lose.

All of this has enlivened the Conservatives' little Englanders, xenophobes, anti-Europeans, unreconciled members of the Thatcherite Old Right, and Mr Kenneth Baker. They put out scurrilous stories. They inspire mischievous articles. They make unhelpful remarks. Long-winded and learned theses about the biggest split among Conservatives since the last biggest split appear almost daily. The cacophony is sufficient to wake the dead, although not yet, it appears, the Labour party. There are faint stirrings, but the party of Mr Neil Kinnock, soon to be that of Mr John Smith, has not yet appreciated that these are promising times for an opposition.

The summer is therefore likely to belong to the Tory anti-Europeans. They appear to believe that the Danes cut the rope, that the British Isles can float away free from the European mainland. They have enjoyed many another summer, until the logic of history and geography has obliged one government or another to participate in whatever the continentals have been up to at the time. The prime minister is aware of this. It is worth noting that at the Earth Summit in Rio he has signed up along with the other Europeans. He has not followed the United States in its opposition to the treaty on biodiversity, as his predecessor might have done. Britain is of Europe and cannot help but fall in with arrangements that suit others as well as itself. Meanwhile we can enjoy the spectacle of the Tories at play. Some of the lads can be rough, but they are always good for a laugh.



The appliance of science in New York and London

Disenchantment with the biotechnology sector has not stopped UK companies coming to market, say Clive Cookson and Daniel Green

The first in a wave of British biotechnology companies are trying to transform their success in science to success in the stock market. Cantab Pharmaceuticals of Cambridge and British Biotechnology of Oxford are now under the investors' microscope, with traditional "road shows" ahead of their flotation.

Cantab has chosen a US quotation on Nasdaq, the over-the-counter share market on which many American biotech stocks are traded. British Biotech is hedging its bets with an international share offer, involving a listing on the London Stock Exchange and on Nasdaq.

The whole UK biotech sector – comprising about 70 unquoted companies founded over the past decade or so – is watching to see whether the pair can succeed in spite of Wall Street's current disenchantment with biotechnology. Investors in the US have grown impatient with the sector, as promised returns from start-up companies have not yet materialised.

At least a dozen UK biotech companies will need to raise money through public share offerings over the next two years, says Mr Louis Da Gama, executive director of the UK BioIndustry Association. The fear is that they may have missed the fund-raising opportunity taken by about 40 American biotech companies, which have made initial public offerings over the past 18 months.

At the beginning of this year Cantab would have had little trouble convincing US investors to put $20m into the company, which is developing drugs to treat human immune system disorders. But having digested an estimated $3bn in new shares from biotech companies over the past year and absorbed unexpected bad news from some star performers, investors are rapidly becoming disillusioned.

Since January, biotech stocks have fallen sharply relative to the market as confidence has fallen. All new issues planned for this summer have been shelved – except Cantab and British Biotech. Cantab put its sale on hold for three weeks and then decided to go ahead, counting on its novelty value and the strengths of its scientific links with Cambridge University to make the flotation a success.

Dr Paul Haycock, Cantab chief executive, says the potential investors whom he met in New York "are interested in our access to a pool of excellence in British science which is relatively unexploited compared to the US academic world".

British Biotech does not share this undiluted optimism, and has responded to Wall Street's change of mood by "shifting the emphasis more towards London and away from the US", says Mr James Noble, finance director. The company expects to raise at least £30m from the flotation.

UK biotech companies have been conspicuous by their failure to generate excitement

Mr Noble points out that British Biotech, which has already raised £73m from four private share placements since 1986, has a longer track record than most US biotechnology companies. It already has two drugs undergoing early clinical trials and a third due to begin clinical testing in August. "If we had been a US company we would probably have floated three years ago," he says.

The main reason why biotech companies need to go public is that they can raise more money – for research and development – than is normally possible with private placements. There is also pressure from the venture capital funds, which finance companies in their early stages and want some of their investment back.

"We eventually have to look for a position where liquidity is available," says Mr Jeremy Curnock Cook, director of Rothschild Asset Management, who advises Biotechnology Investments Limited, the largest UK-based fund.

London Stock Exchange rules do not make it easy for biotech companies to come to market. None can fulfil the requirement that a company seeking a full quotation must have five years in profit.

The exchange does allow for exceptions. Eurotunnel, for example, not only had no profits record but there was no prospect of profits until 2000. The exchange invoked a rule that allows a flotation if it is satisfied that potential investors have enough information on which to base a decision.

Although this arrangement has been applied to British Biotech and could be applied to others, stock exchange officials are drawing up special rules to make it easier for a biotech company to come to market. They are concerned that UK companies such as Xenova, Agricultural Genetics and Pharmaceutical Proteins will follow Cantab across the Atlantic when they need funds. Even if biotech is out of fashion in New York, the Vancouver, Toronto and Montreal exchanges in Canada are interested in listing UK companies, says Mr Da Gama.

There are precedents for special listing rules in property and mineral exploration, both of which require heavy investment before a return is likely. However, it will take many months, maybe years, for London's new biotech rules to come into effect. In the interim individual companies will have to go through the laborious process of convincing the exchange of their soundness.

Exchange rules are not the only reason why biotech has been absent from London. Dr Haycock of Cantab says "at the moment the US offers a vibrant, dynamic market for biotechnology companies. It is an experienced market, for example in terms of the number of analysts following the sector." Cantab will list in London "when the market is more receptive to companies like ours".

US investors have been dazzled by the range of biotech companies on offer, a few of which have become startling successes. Most notable is Amgen, which will see sales this year close to $1bn, a 50-fold growth in seven years.

There have also been some serious disappointments, such as the announcement in April that the US Food and Drug Administration was not after all ready to approve Centocor's much publicised antibody treatment for bacterial sepsis. That setback not only demolished Centocor shares (now trading at $14 compared with a high of $59.75 in January) but also accelerated the decline in the whole biotech sector.

While US investors have ridden a roller-coaster, UK biotech companies have been conspicuous by their failure to generate excitement. Celltech, for instance, the oldest and largest UK biotechnology company, made impressive technical achievements during the 1980s – particularly in the large-scale production of antibodies – but its commercial development was poorly focused. As an uninspiring flagship for the UK industry, Celltech educated fund managers out of the sector.

However, a restructuring in 1990-91, accompanied by new management, has transformed Celltech's prospects. It is now a research-oriented bio-pharmaceutical company, concentrating on three areas: immunity, inflammation and oncology (cancer).

Celltech is burning cash more slowly than most other biotech companies – partly because it has an income of £12m a year from manufacturing antibodies for the pharmaceutical industry. Dr Peter Fellner, chief executive, says it does not expect to float on the London stock exchange until late 1993. It will then be looking to raise some £50m.

By then biotech could be fashionable in London. "Things are going to change suddenly after British Biotechnology," said an industry observer. "It will place biotechnology in the spotlight in the UK."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Cadbury: divisions over ownership and accountability

From Mr David Craine.

Sir, Sir Owen Green criticises the Cadbury Committee (Personal View, June 9) for being long on accountability but short on drive and efficiency. In fact, while greater accountability can and should enhance the performance of a company, the Cadbury report actually fails to offer the reforms needed to promote such accountability in practice.

Shareholders who attend company meetings know full well that these occasions do not make any important decisions. Boards make little attempt to open the company up to scrutiny, while chairmen's answers to questions are usually highly subjective, suitably anodyne and anecdotal. As long as this absence of scrutiny continues, criminal and unethical activity will flourish.

Sadly Cadbury does not go far enough and will only "paper over the cracks". Simply asking shareholders to submit questions in advance will only add to board control over the general meeting. Only a formal mechanism for allowing shareholders to place resolutions, as in the US, can offer hope for changing the climate so that they will believe they can monitor effectively.

David Craine,
58 Charlton Road,
Harlesden, London NW10 4BA

From Mr J G Cluff.

Sir, Sir Owen Green has nailed the central weakness in the Cadbury report. The introduction of any formula which may lead to a "them and us" atmosphere in the board room is to be deplored. Such a proposal, apart from the dangerous risk of wasting time, also may result in damaging the vital link between the executive and non-executive – that of trust.

If Sir Adrian Cadbury is concerned lest members of a board become united or, heaven forbid, even friends, then he may take comfort from the fact that most of us are more likely to seek to avoid letting down our friends than our enemies.

J G Cluff,
chairman,
Cluff Resources,
58 St James Street,
London SW1A 1LD

From Mr Edmond Jackson.

Sir, Sir Owen Green and Sir Ronald Grierson (Letters, June 10) have rejected the Cadbury report, but it is inevitably a curate's egg and corporate governance a compromise.

Sir Owen describes "ownership" of companies as "novel, untested and inappropriate". But the basis of capitalism is a working system of ownership rights, or we are nothing. Such privileges carry a positive ethic of duties towards caring – eg, monitoring progress, voting on resolutions.

It is because institutional investors neglect these duties that calls for non-executive directors are made.

Sir Owen is dead right on non-executive directors. The concept has an oxymoronic ring, like "lady mud-wrestlers". But he cannot imply that executive directors need no outside checks. Recent salary and share option abuse, corporate over-stretch and collapse, all cry out for active shareholder monitoring.

Sir Ronald knocks "the absurdities of the Cadbury report", yet there are nuggets in its veins that merit thought.

Edmond Jackson,
Chenies,
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Woldingham, Surrey CR3 7HH

From Dr Walter Grant Scott.

Sir, Surely an attempt to repair the fractured interface between owners and managers of businesses by interposing an additional layer (of non-executive directors) must fail.

Two additions to company law may bridge the gap:

- The remuneration of each executive director must be approved each year at the annual general meeting;
- Dividends may only be paid out of current cash earnings.

These would certainly ensure good attendance at AGMs and create awareness as a first step to governance.

Walter Grant Scott,
Walter Scott & Partners,
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From Mr Donald B Butcher.

Sir, The eagerness with which the president of the Institute of Chartered Accountants sets out the five actions which his institute intends to take as a result of the Cadbury report (Letters, June 8) may have something to do with the fact that four of them will no doubt lead directly to increased fees for his members.

Your columns are remarkably empty of comments from shareholders, who will pay for the additional auditing, as to what action they might take. This is not surprising. First because Cadbury seems largely to have turned a blind eye to the tiresome fact that somebody has to perform the ownership role and second because action which shareholders take has to be paid for by themselves. This is not the case for the other actors in this drama.

Private shareholders do intend to act. Some are in the process of forming the UK Private Shareholders' Association.

Donald B Butcher,
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Banks too 'trigger happy' about investigating smaller companies in difficulties

From Mr Michael Proudlock.

Sir, There appears to be an increasing tendency for banks to call for investigative accountants' reports on smaller business customers with trading difficulties. While, in some cases, this might be seen as prudent banking practice, it gives cause for a number of concerns.

The first is that banks appear to be doing this as a matter of everyday routine, rather than regarding it as an exceptional step. This is surprising since, in many cases, the bank has been in a close relationship with the business for a number of years and will already be very familiar with its financial position. In such cases, an accountant's report will add very little.

Next, these reports are generally undertaken by the insolvency practitioners, who have a clear conflict of interest. If their report suggests receivership as the only logical step to be taken by the banks, it is standard practice for that same firm to be appointed as receiver.

Third, preparation of the report diverts the company's management just at the time when it is most needed in the day-to-day running of the business. Finally, the cost of these reports is borne by the customer, who is given no chance to negotiate. In a number of recent instances which I have seen, the charges levied seem to be out of all proportion to the workload involved.

This practice is becoming a source of increasing bitterness in the already strained relationship between small businesses and their banks. To ease this, a more constructive attitude needs to be taken by the banks and accountancy firms themselves.

Banks should become less "trigger happy" in calling for these reports. If they feel they do not know enough about the businesses to which they are lending money, they could perhaps spend a little more of their own time getting to know their customers.

When reports are necessary, investigative accountants should be barred from acting as receivers to the businesses they investigate. Finally, banks should involve their customers in the negotiation of the fees for these reports. After all, it is their money which is being spent.

Michael Proudlock,
Granville Development Capital,
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Selectivity factor in schools

From D J Woodhead.

Sir, John Authers's interesting article on school fees funding ("Hard arithmetic of school fees", June 6) attempts to assess value for money in choosing a school and mentions several factors relevant to a school's performance, including teaching quality and resources.

But he omits the most important: how academically selective a school is in its pupil intake. That is unfortunate, since it leads him to make largely spurious comparisons between highly selective day schools and boarding schools, most of which have a broader intake.

D J Woodhead,
national director,
Independent Schools Information Service,
56 Buckingham Gate,
London SW1E 6AG

Another view of pessimism

From Mr Christopher Harris.

Sir, I note Observer's explanation ("Sure?", June 9) that the difference between an optimist and a pessimist is that the former does not have all the facts.

I prefer Robert Oppenheimer's explanation that "the optimist believes that this is the best of all possible worlds, and the pessimist fears that he may be right".

Christopher Harris,
53 London Road,
Guildford,
Surrey, GU1 2AL

No strategic price cutting by Komatsu

From Mr German Gamazo.

Sir, Your article "Barlow Rand eyes Spanish target" (April 24), states that, according to analysts, the decrease in sales of Spain's Caterpillar distributor is mainly due to Komatsu's under-pricing policy in Spain.

The increase in Komatsu's sales in Spain in recent years is due not to strategic price reduction, but to the quality of the product, service to customers and a big marketing effort. We believe that to survive in the earth moving equipment sector the highest quality of product and service must be offered to customers.

German Gamazo,
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Madrid

OBSERVER

Exceptions to the rule

■ At a time like this, publishers surely ought to be trampling over one another for the story of the heir to the throne's romantic liaison with his former housekeeper.

Not so, however, when the heir concerned is the pretender to the throne of France, Henri, Count of Paris. There apparently isn't much of a market either for revelations about the private lives of the royalty of other continental countries.

Take the Netherlands, for instance, where the liveliest such issue is the health of Prince Claus, the German-born husband of Queen Beatrix. Although he has lately resumed his official duties, he went to hospital in 1991 for a recurrence of the depression for which he was treated in a Swiss clinic in the early 1980s. He also has a mild form of Parkinson's disease.

Then again, Sweden's King Carl-Gustav is known to suffer from dyslexia. But despite being married to the popular Queen Silvia, also German-born and a graduate of the Munich interpreters' school, he is scarcely a hot topic, not least because his duties these days do not even extend to opening parliament.

Nevertheless the Dutch and the Swedish royals are controversial figures by comparison with their counterparts in Germany, which hasn't had a monarch since the abidcation of Emperor Wilhelm after the First World War. The last time the Kaiser's heirs caught public attention was four years ago, when one of his great-nephews shot himself near an Austrian lake after finding his wife dead from a drugs overdose.

All of which raises the question of whether, regardless of the Danes, creeping Euro-harmonisation will eventually threaten the British royal family with similar obscurity – and, if so, how the House of Windsor would look on the prospect of dropping not just out of the headlines, but out of the news altogether.

Hype goes on

■ Meanwhile, not even the Danish rejection of the Maastricht treaty on monetary union has slowed the momentum behind the bids from cities across Europe to house the European Central Bank. With public relations machines from Edinburgh to Barcelona in overdrive, the mere fact that the ECB might never happen has failed to hold back the campaigns.

For instance, Lord Mayor of London Sir Brian Jenkins has just set off on yet another trip, this time to convince the Spanish and the Belgians that his city is the most serious contender. Only last month he was in Paris talking to its mayor Jacques Chirac in pursuit of the City of London's £1.5m drive to capture the ECB.

Oddly enough, the Mayor of Frankfurt is heading for London the week after next - could his trip be in anyway related? After all the Bundesbank has just rented the top 15 floors of Frankfurt's Messeturm, Europe's tallest building. It would make a fine address for a central bank.

Perhaps England's Old Lady should follow suit by speculatively taking the odd cubic mile of Canary Wharf.

Extra special

■ Are any companies retaining PR consultancies finding that the London Hilton on Park Lane is increasingly being recommended as a venue for product-launches, press conferences and the like?

If so, and they're wondering why, the answer may lie in a "very special offer" by the hotel's general manager Michael Schuetzendorf to "all bona fide public relations professionals" who book the hotel for such a function between now and the end of the year.

"...while you will be billed for the total amount spent with us," his letter tells them, "you will enjoy the benefit of a direct 8 per cent rebate to your company."

"I see you favour the Euro-sceptics' funny handshake"

Exit of kin

■ It is rare to find family companies where the family knows when to quit. But Kalon, which has just made a hostile bid for fellow paint-maker Manders, is one such.

Leslie Silver, who founded the company in 1947, packed his bags a few months ago, sold the family's 47 per cent stake, and went off to enjoy his retirement chairing the board of Leeds United. His son and various sons-in-law, who might have enjoyed running their inheritance, had already stepped down from the board and handed over to professional managers.

The hand-over is all the more remarkable because, before Silver's exit, the company had no non-executive directors, and had to turn to Sir Adrian Cadbury's quango Proned to find Silver's replacement, Roger Boissier.

"I never wanted to create a dynasty" says Silver who, now 67, started the business with a £250 gratuity on leaving the Royal Air Force. He remains faithful to his old firm, describing the bid for Manders as "a sensible and logical marriage". But then he can afford to be generous now he has sold almost all of his Kalon shares.

Despite the obvious loyalty of many Kalon shareholders, the speed with which the new team wants to celebrate the Silver family's departure by issuing huge amounts of paper, may well ring an alarm bell or two.

Ideas appeal

■ Thinking caps on, please, on behalf of Ukraine. As if creating an independent country for the first time in three centuries and dealing with the wreckage left by 70 years of communism were not enough, the young nation is still struggling to cope with the effect of history's worst nuclear accident.

In its desperation, the government has turned to a novel approach. It has announced an international public competition for ways to prevent the unreliable cement sarcophagous which covers the melted-down Chernobyl reactor, from cracking and releasing another deadly cloud of radiation.

Any reader who can work out a solution is invited to submit it to the Ministry for Chernobyl, No 1 Lesia Ukrainka Square, Kiev, Ukraine. Alas, in its haste to inform the world of the competition, the government has so far neglected to specify the prize.

Ah so

■ From the instruction booklet of a Tokyo car-hire company:

When paddenger of foot heave in sight, tootle the horn. Trumpet him melodiously at first, but if he still obstacles your passage then tootle him with vigor.

FINANCIAL TIMES
Friday June 12 1992

UK investigators call for diplomatic pressure to unlock foreign trusts

Help sought over Maxwell funds

By Andrew Jack

ACCOUNTANTS trying to trace the assets of the late Mr Robert Maxwell yesterday called on the British government to put diplomatic pressure on Liechtenstein and Switzerland to help them unlock information held in secretive foreign trusts.

Mr Peter Phillips, a partner with accountants Buchler Phillips and receiver to the personal estate of Mr Maxwell, said he needed high-level support to identify funds held in more than a dozen trusts in a several countries overseas.

"Now the government has started using words like crime and fraud in relation to the Maxwell case, it should come out of its shell and offer help to groups trying to recover assets," he said.

His views reflect the concerns of other accountants and investigators searching for assets stolen from pensioners and creditors to the Maxwell empire who have found their work blocked by regulations to maintain secrecy.

They believe that substantial assets which they have been unable to locate may have been channelled through, or may be currently sitting in, offshore trusts which are refusing to co-operate.

Mr Neil Cooper, the partner at accountants Robson Rhodes who is liquidator of Bishopsgate Investment Management, manager and trustee of the Maxwell pension funds, said he had been offered no assistance in his search by the UK government: "We need jurisdictions overseas to recognise the special nature of this case, in which we are tracing stolen assets. That sets it aside from the normal secrecy and privacy conditions by which these countries operate."

He said investigators still had no sense of the total value of assets which may have been held in trusts offshore, and were unable to see their accounts or to interview their directors.

Other accountants attempting to trace assets include partners at Arthur Andersen, administrators to more than 400 companies in the private Maxwell business empire.

The UK government said it would assist those tracing Maxwell assets by a special unit, the creation of which Mr Peter Lilley, social security secretary, announced in the House of Commons on Monday.

The Department of Social Security said that it would be holding discussions with anyone able to assist in returning stolen assets either in the UK or in other countries. It saw no need to involve the Foreign Office in diplomatic discussions.

The unit is expected to be operating within days, and is assembling civil servants and private sector employees to work in it. The appointment of a chairman with financial experience drawn from the private sector is expected to be announced early next week.

Mr Cooper said: "We wait to see if the government is prepared to extend the channels being proposed to put pressure on banks and institutions to other institutions and to other states. We would welcome any assistance that could be given."

Maxwell bid $500m for Orion Pictures, Page 8

US seeks to improve image at Rio summit

By David Lascelles and Christina Lamb in Rio de Janeiro

THE US stepped up its diplomatic offensive in Rio de Janeiro yesterday as President George Bush left Washington for the Earth Summit which reaches its climax today.

While Mr Bush repeated that he would not sign one of the summit's central treaties – on biological diversity – US summit delegates sought to improve their image in Rio, where the US has been largely isolated.

Critical problems remain to be resolved before more than 100 heads of state arrive. Germany and Brazil were last night co-ordinating negotiations in an attempt to bridge differences on finance and forests.

Although delegates were hopeful of an agreement on finance, efforts to reach a deal on a set of non-binding forest principles seemed headed for breakdown as the first heads of state, including UK prime minister John Major, landed in Rio.

Forests have proved the most contentious issue. A marathon negotiating session which ended yesterday morning appeared only to have widened north-south differences.

Mr Kamal Nath, forestry minister of India – which is proving the most obstructive on agreeing the declaration – described the position as "a stalemate".

Mr Celso Lafer, Brazil's foreign minister, said: "The expectation is that we can wrap everything up by the end of the day so that we have time for documents to be processed, translated and distributed by Sunday."

US administration officials, meanwhile, kept up attacks on the environmental records of other countries, which they say have unfairly criticised the US.

They singled out the high number of threatened German fish, mammal and bird species, as well as the level of imports of tropical woods into Japan and the European Community.

Mr William Reilly, administrator of the US Environmental Protection Agency, announced measures to beef up the conference's treaties.

The US wanted a "prompt start" on the climate change convention to limit greenhouse gases, Mr Reilly said.

This included quick ratification, stricter monitoring of power station emissions and a detailed national action plan to reduce greenhouse gases.

As he left for Rio yesterday, Mr Bush vowed that he would stand firm in his refusal to sign the summit convention on biological diversity.

With the UK agreeing this week to sign the convention, aimed at protecting animal and plant species around the world, the US seems likely to be the only big country holding out against it. But Mr Bush said the convention contained provisions that had nothing to do with biodiversity and which could hinder US economic growth.

UK premier's pledge, Page 6
Southern discomfort, Page 16

Policemen in Caracas take cover from protestors throwing stones and Molotov cocktails at them. The inscription on the wall reads: The Word of God: Hope for all. Venezuela has experienced more than two weeks of violent student demonstrations calling for the resignation of President Carlos Andrés Pérez and his government, writes Joseph Mann in Caracas.

The country's largest business association, Fedecamaras, warned this week that the country was showing symptoms of "decomposition and anarchy that endanger the integrity of Venezuelan society and indicate a vacuum of power". In early March, Mr Pérez promised a series of reforms after a failed military uprising against the government.

The leaders of the putsch criticised what they called Venezuela's corrupt and inefficient political system. Up to now, however, the government has made little progress on reform.

Russians open archives harmful to Gorbachev

Continued from Page 1

leadership as its domestic troubles worsen.

After they were taken over by the Russian authorities in the wake of the coup which ousted Mr Gorbachev in August last year, a decision was taken to open them to the public. But their declassification is still being dictated by the priorities of the Moscow leadership and financial constraints.

Dr Kirill Andersen, keeper of party archives ranging from the last century to 1952, has stopped giving out some documents because he has run out of bulbs to light some of the rooms in which they are stored.

In the absence of legislation which would define what constitutes a state secret, Mr Pikhoya has drawn up a temporary set of rules to manage the archives.

In addition, extensive archives outside the reach of Central Committee, such as the archives of the KGB, are still completely out-of-bounds, ostensibly because revelations like those of the Stasi, the east German secret police, would be too divisive to Russia.

The archive of the Politburo, the ruling body of the Communist Party, plus the so-called presidential archive set up by Mr Gorbachev, also remain closed. It is believed that Mr Gorbachev, who is writing his memoirs, may have taken some of the material with him when he left the Kremlin in December.

A further complication stems from emotive accusations that the Russian authorities are either giving away or selling-off the archives to foreigners. Shortly after the coup, The Sunday Times newspaper in London was given access to reports on British Labour party leader Neil Kinnock's visits to the Soviet embassy, which, despite their triviality, were blown into a political scandal in the run up to the British general election.

Today, foreign journalists can get documents of their choice declassified early after paying hard currency for the staff's trouble : it costs $1 to look at a document and $4-$10 to reprint a document.

Perot faces moment of truth at hands of talk show caller

Continued from Page 1

one with his wife, Barbara, when he returns from Rio.

Mr Perot is a master of the folksy aphorism and yesterday's performance was stuffed with them. The balanced budget amendment now before Congress "is an excuse not to do anything." And again: "We throw away more money than we print right now."

Mr Bush, he said, sent delegations to Iraq before the Gulf war "to burp, diaper and pamper Saddam Hussein". National health care reform was "like buying a new car – you check it out". Cosseted government officials should "stand in airport queues and eat bad meals".

But glints of real policy also shine through the soundbites and one clear element of Mr Perot's is going to be to blame pernicious foreigners for many of America's domestic ills. Thus, borrowing from the well known anti-Japanese polemicist, Mr Pat Choate, he squarely put the blame for the plight of American dairy farmers on foreign interests.

"Make it illegal for foreign nations, foreign companies, foreign individuals, to lobby the US Congress or to get money directly or indirectly in any way, and make it illegal for former government officials to cash in by making $25,000 or $30,000 a month lobbying for foreign countries," he said.

He repeated that most US international trade agreements had been twisted by foreign cunning and that the US must assert itself as the pre-eminent manufacturing nation.

Americans like this sort of language, more, at present, than Mr Bush's contradictions and Mr Clinton's finely measured wordiness. But like the little old lady worried about her social security, not everybody yet understands – or agrees with – Ross Perot.

World Weather

		°C	°F
Ajaccio	T	16	61
Algiers	S	25	77
Amsterdam	S	19	66
Athens	F	25	77
Bahrain	S	38	100
Bangkok	C	31	88
Barcelona	F	19	66
Beijing	C	24	75
Beirut	F	25	77
Belfast	S	19	66
Belgrade	F	25	77
Berlin	F	15	59
Biarritz	F	16	61
Bombay	S	33	91
Bordeaux	S	16	61

		°C	°F
Boulogne	S	20	68
Brussels	[illegible]	18	64
Budapest	F	23	73
Buenos Aires	C	14	57
Cairo	S	34	93
Cape Town	S	15	59
Caracas	C	29	84
Casablanca †	F	21	70
Chicago †	S	13	55
Cologne	C	19	66
Copenhagen	S	21	70
Corfu	F	23	73
Dallas †	S	22	72
Dublin	F	16	61
Dubrovnik		–	–
Edinburgh	S	16	61
Faro	S	20	68
Florence	C	22	72

		°C	°F
Frankfurt	F	18	64
Geneva	S	16	61
Gibraltar	S	21	70
Glasgow	S	18	64
Helsinki	C	16	61
Hong Kong		–	–
Innsbruck	C	14	57
Inverness	S	18	64
Islamabad	C	36	96
Istanbul	S	25	77
Jakarta		–	–
Johannesburg	S	15	59
Lisbon	F	18	64
London	S	19	66
Los Angeles †	[illegible]	18	64
Luxembourg	F	19	66
Madeira	F	21	70
Madrid	S	21	70

		°C	°F
Majorca	S	23	73
Malaga	F	27	81
Malta	S	23	73
Manila	C	36	97
Melbourne	C	13	[illegible]
Mexico City	R	22	72
Miami †	S	27	81
Milan	C	21	70
Montreal †	S	15	59
Moscow	S	23	73
Munich	C	17	63
Nairobi	F	22	72
Naples	R	[illegible]	[illegible]
Nassau	F	32	90
New Delhi	S	35	95
New York †	S	18	64
Nice	F	19	66
Nicosia	S	26	79

		°C	°F
Oporto	C	16	61
Oslo	S	28	82
Paris	F	21	70
Prague	F	17	63
Reykjavik	F	10	50
Rhodes	S	26	79
Rio de Janeiro	C	19	66
Rome	C	17	63
Salzburg	C	16	61
S'Francisco †	S	13	55
Seoul	F	20	68
Singapore	F	32	90
Stockholm	R	15	59
Strasbourg	F	21	70
Sydney	S	15	59
Taipei	C	30	86
Tangier	C	21	70
Tel Aviv	S	31	88

		°C	°F
Tenerife	S	23	73
Tokyo	F	23	73
Toronto †	S	15	59
Tunis	F	26	79
Valencia	S	26	79
Venice	Dr	19	66
Vienna	F	22	72
Warsaw	C	15	59
Washington †	S	19	66
Zurich	F	18	64

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

Everything flat at MFI

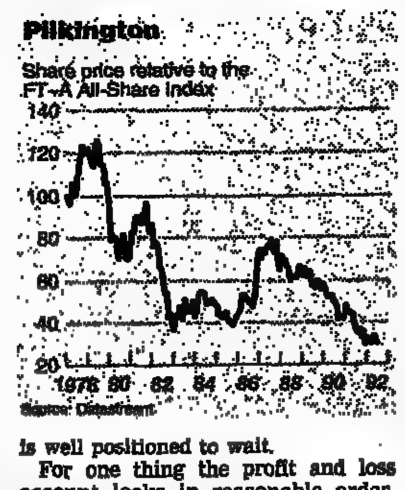
As luck would have it, MFI's red herring prospectus coincided yesterday with the May survey from the Confederation of British Industry, confirming that the post-election boomlet in retail spending has indeed fizzled out. According to the survey, furniture sales are down significantly from last year. According to MFI, it is not quite as bad as that: sales growth is merely non-existent, having been strong from Christmas to end-February and weaker in March and April. Plainly, investors in the flotation are going to have to take a good deal on trust.

But if they hold shares in the UK retail sector, they are taking a lot on trust already. The average multiple for the sector is 18.4 times historic earnings. Individual prices run from a conservative 14 times for Kingfisher to a dotty 31 times for Next. It appears that however disillusioned investors are with the outlook for consumer spending, they dare not be out of the most obvious recovery sector. MFI on say 18 times earnings might be overvalued, but no more so than the sector as a whole.

The case for a sector rating is familiar. On the one hand, MFI's business is inherently volatile. On the other, a business which survived the last three years with a crippling burden of debt can survive anything. There are the usual caveats about a buy-out, such as the extent to which it was starved of investment in the lean years. But it is claimed that capital expenditure in the foreseeable future will not exceed depreciation and will be modest in relation to cash flow.

A sector rating would imply a price of 138p and a value for the business of £800m. That may not quite be attainable. But the flotation has only to make a gross £564m to repay debt, giving a floor price of 97p on 13 times earnings. Anything beyond that is gravy for the management and its backers, in the form of cash or of retained equity. Even in today's retail climate, that leaves enough room for haggling to get the issue away.

FT-SE Index: 2614.1 (-22.0)



British Land

Mr John Ritblat may not have called the turn before in so many words. But the £900m he has splashed out on properties since 1989 is an indication that the British Land chairman had been expecting at least a modest market recovery by now. Whether or not he was right yesterday to predict that the worst is over, the important thing for shareholders is that the company is well positioned to wait.

For one thing the profit and loss account looks in reasonable order, with interest covered 1.3 times by net rents. There is, moreover, a £75m unrealised surplus on trading properties to keep profits moving ahead in the event of any tenant mishaps. The balance sheet, admittedly, is looking stretched by the company's past standards with a gearing ratio of around 130 per cent if the convertible capital bonds are treated as borrowing. It is a bit rich to exclude these for the purposes of calculating the ratio, then point out that each 1 per cent increase in gross assets translates into a 2.6 per cent rise in net assets. That said, while British Land will not want to push gearing higher than 150 per cent, it has ample facilities in place and can always raise cash from disposals.

The question is how much further the net asset value has to fall. Its overall 8.1 per cent running portfolio yield may be a full point lower than Land Securities' and Great Portland's, but some would argue that this can be explained by over-renting. British Land, moreover, looks to have written down its City properties pretty savagely since 1989 by comparison with its peers. At 215p the shares are not expensive, even assuming another modest hit this year.

Generators

No doubt unwittingly, the National Audit Office's report on the privatisation of the electricity generators is as revealing as its narrow conclusions are uncontroversial. It is difficult to dispute that the sale mechanisms adopted by the Department of Energy were a success. In particular, the institutional book-building process increased the sale proceeds for taxpayers by several hundred million pounds. That helped offset costs of £80m. Taxpayers did rather less well on the issue of the companies' assets. While £110m of property was transferred out of the generators to Nuclear Power, they were left with roughly £300m of surplus property whose value was adjusted down by £74m ahead of the sale. Those assets can be sold without penalty at the end of the decade.

Ahead of the sale, both generators successfully disputed the government's profit and dividend forecasts. Had the government view prevailed, the proceeds on a full sale might have been £350m higher. In the event, the government lacked confidence in its ability to obtain a fair price. Hence its decision to sell only 60 per cent of the shares. In view of the subsequent rise in power prices, that was just as well.

Perhaps most importantly, the report recalls that the companies began by demanding that they be sold with cash on their balance sheets, notionally to pay for cleaning up their power station emissions. After "prolonged negotiations," PowerGen capitulated completely and National Power accepted £480m of debt, a figure within £50m of the government's original position. The report neglects to mention the reason why the companies reluctantly rolled over: during the dispute, minds were concentrated by the suggestion that PowerGen would be sold to Hanson. Taxpayers have one less reason to resent the latter's consummate avoidance of UK liabilities.

Pilkington

Pilkington's first dividend cut in its 22-year history as a public company is a bleak comment on the outlook for its markets. It is hard to see when the cut will restored. Profits this year may be no higher than last, even without the burden of exceptionals. In that case, the dividend will again be uncovered by earnings. Again, too, it looks like being paid not out of operating cash flow but from disposals. It is in cruel contrast with Pilkington's proud record of long-term investment that even a cut payment has to be funded by the partial dissolution of the company. At yesterday's 129p, the shares are on 23 times historic earnings before exceptionals and yield only 8.2 per cent. There seems nothing to stop them falling further.

FINANCIAL TIMES
COMPANIES & MARKETS

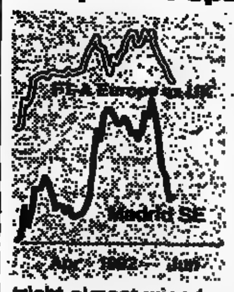
Friday June 12 1992

INSIDE

Christian Salvesen pulls out of Germany

Christian Salvesen, the UK-based distribution, manufacturing and specialist hire group, showed a small increase in pre-tax profit to £67.2m ($123.4m) and announced the closure of most of its German business. Mr Chris Masters, chief executive, said the German distribution market was the most unsophisticated in Europe. Page 28

The pain in Spain



For Spaniards, who do not eat Danish bacon because their own *jamon serrano* is infinitely superior and who prefer their fried dough *churros* to any sophisticated Danish pastry, it was a shock to be tripped up by a country they knew little and cared less about. Denmark's "no" to Maastricht almost wiped out a May rally which had raised Madrid's general index by more than 10 points and pushed it past the psychologically-important 260 barrier. Page 48

Sony gears up for Mini Disc

Sony, the Japanese electronics group, is gearing up its marketing and publicity campaign for the introduction of its Mini Disc, an 8cm recordable compact disc which it hopes will capture the portable music market, valued at well over $10bn. Page 21

An after-lunch smelter

A convivial lunch between two French industrialists led to one of Europe's biggest industrial projects in recent times, the $1bn Dunkirk aluminium smelter. Mr Pierre Delaporte, president of Electricité de France, the state-owned power generator, was going to have excess nuclear generating capacity in the early 1990s. He had lunch with Mr Jean Gandois (above), president of Pechiney, France's state-owned aluminium group, who suggested: "Let's build an aluminium smelter in France". Page 36.

Hot weapon under fire

In Wall Street's drive to discover new ways to make money from retail stockbroking, the wrap account has become an important weapon. Yet this hottest new product in the money management business has come under fire with critics arguing that the wrap account gives investors little return for their money. Page 24.

Defending the indefensible

Anglo-Saxon merchant banks are making a living in Germany defending what — on their home patch — would be indefensible. They are helping the management of large German companies fend off would-be predators by restricting shareholders' voting rights. Page 20

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Schmalbach Lub	554	+	11
Falls			
Colonia Konzern	880	−	30
Hochtief	1250	−	18
[illegible]	623.5	−	[illegible]
Lufthansa	125.5	−	4.5
Metallgesellschft	435	−	7.5

NEW YORK ($)

Rises			
Abbott Labs	27½	+	½
Merck	49	+	⅝
Falls			
[illegible]	35⅝	−	4⅜
Burlington Nthn	33¾	−	2⅜
Mirage Resorts	23⅝	−	2⅜
USAir	12⅛	−	¼

PARIS (FFr)

Rises			
Auxil Entrepr	[illegible]	+	19
Falls			
Air Liquide	760	−	17
Axa	972	−	38
Chargeurs	1349	−	25
Club Mediterran	476.3	−	18.7
Eurafrance	1525	−	63

TOKYO (Yen)

Rises			
Dai Ichi Housing	366	+	25
Kawai Musical	468	+	31
Koa	685	+	45
Nippon Formula	689	+	49
Yoshihara Oil	616	+	42
Falls			
Dai Ichi Kayaku	415	−	35

New York prices at 12:30.

LONDON (Pence)

Rises			
Adam & Harvey	233	+	18
Blick	414	+	18
British Land	214	+	10
HunteighTec	610	+	17
[illegible]	291	+	54
Nichols Vimto	500	+	35
Penna	135	+	12
Proteus Intl	450	+	15
Tottnhm Hspr	97	+	[illegible]
Falls			
AIT	463	−	33
BET	146	−	6
BM	341	−	22
Br Aerospace	319	−	13
Essex Furn	66	−	6
Glaxo	711	−	27
HTV	73	−	5
Life Sciences	134	−	6
Lucas Inds	125	−	6
[illegible]	98	−	12
Oxford Instr	229	−	25
Reuters	1116	−	23
Wace	147	−	13
Welsh Water	451	−	18
Whitecroft	92	−	39

GM replaces finance arm president

By Martin Dickson in New York

GENERAL Motors yesterday carried out a shake-up of the management of its finance arm, including replacing the president and the chief financial officer, over an alleged $400m loan fraud.

The scandal centres on Mr John McNamara, a car dealer on Long Island, New York, who last week pleaded not guilty to racketeering and fraud charges involving the alleged diversion of more than $400m of loans from General Motors Acceptance Corporation, the groups' finance subsidiary, to his personal investments.

GM said yesterday an internal investigation had uncovered no criminal activity or self-dealing by any employee of GMAC, the group's largest profit centre.

But it announced a tightening of its credit procedures and management changes involving early retirement and "special assignments" or other new jobs for six senior GMAC officials.

These include Mr William Lovejoy, GMAC's president and chief operating officer, who is replaced by Mr John Rines, 44, previously general manager of GM's service parts operation. Mr George Fenner, chief financial officer, is replaced by Mr John Finnegan, 43, previously a GM assistant treasurer.

The company said "appropriate" action was being taken against other executive employees and staff at the GMAC office in New York which serviced Mr McNamara's account.

The chairman of GMAC, Mr Robert O'Connell, has been in his job since May 1, when his predecessor, Mr John Edman, retired. Mr O'Connell was ousted as chief financial officer to GM in a boardroom coup last April.

GM said its inquiry had not revealed systemic problems with GMAC's operating and control procedures in its "core business functions".

The prosecution claims Mr McNamara, whose car dealing family had a 43-year relationship with GM, borrowed billions in short-term loans from GMAC between January 1985 and December 1991, to finance recreational vehicles exported to Cyprus.

However, the vehicles did not exist and Mr McNamara allegedly repaid his old loans with new ones. GM made a $171m after-tax provision in the final quarter of last year to cover the losses which it is trying to recover in part through claims on Mr McNamara's assets.

S&P reviews credit ratings of UK banks

By Simon London in London

A DETERIORATION in the balance sheet strength of Barclays and National Westminster, the UK's two largest banks, has led to a further decline in their credit quality, according to Standard & Poor's, the US credit rating agency.

S&P yesterday downgraded the rating of Barclays by one notch from AA+ to AA. It is now two notches below the top triple-A credit rating which it lost last year. NatWest has been placed under review for possible downgrade from AA+, a process which usually leads to a cut in rating. The rating outlook for Royal Bank of Scotland has also been changed from stable to negative.

Mr Barry Hancock, analyst at S&P in London, said: "Our decision reflects structural changes in the balance sheet condition of the banks and in the operating environment." In particular, Barclays and NatWest have not raised risk capital from the equity market in recent years and have not generated capital from retained earnings, he said. Instead, both have issued "quasi-equity" instruments in the capital markets. Last year NatWest issued £140m ($257m) preference shares in the UK and raised $350m preference capital in the US.

Preference shares count as capital under the Basle Accord on international bank capital adequacy and EC banking regulations which set minimum capital-to-assets ratios. However, credit rating agencies do not regard preference shares as pure equity capital.

According to S&P, Barclays' ratio of risk capital — which includes ordinary shares, reserves and minority interests but excludes property revaluation reserves — to assets has fallen from 7.78 per cent in 1988 to 5.77 per cent in 1991. NatWest's ratio has fallen from 7.73 per cent to 6.17 per cent in the same time.

S&P was the first of the big agencies to lower the credit ratings of the two UK clearers from the top triple-A level. It downgraded NatWest in August 1990 and Barclays in February last year. Moody's, its US rival, downgraded Barclays from triple-A last month. Moody's said yesterday that it had no plans to review the ratings of either bank.

IBCA, the UK rating agency, looked at the ratings of both banks last month but left them unchanged at AA+.

Maggie Urry explains why one survived where others failed in UK retailing

A slow sprint to the market

When MFI's managers decided to buy the company out from an unhappy merger with Asda the food retailer, in November 1987, they thought they were leaving the starting blocks for a two-year sprint to the UK stock market.

By early 1989, talk was of a £1bn ($1.84bn) float in the autumn of that year which would give investors in the £718m buy-out – including the directors and managers – a rapid and racy return. The 350 managers who had each invested between £200 and £80,000 would share up to 26.25 per cent of the group's equity if the flotation target was met.

But by late spring of 1989 sales growth was slowing, profit margins slipping.

Something was going wrong. By July MFI admitted it was missing its profit targets. And in August the group agreed a refinancing with its bankers involving a £35m rights issue and a deferral of £80m of debt repayments.

The experience demonstrates that combining the high operational gearing of a furniture retailer with the financial gearing of a buy-out can rapidly turn from success to disaster.

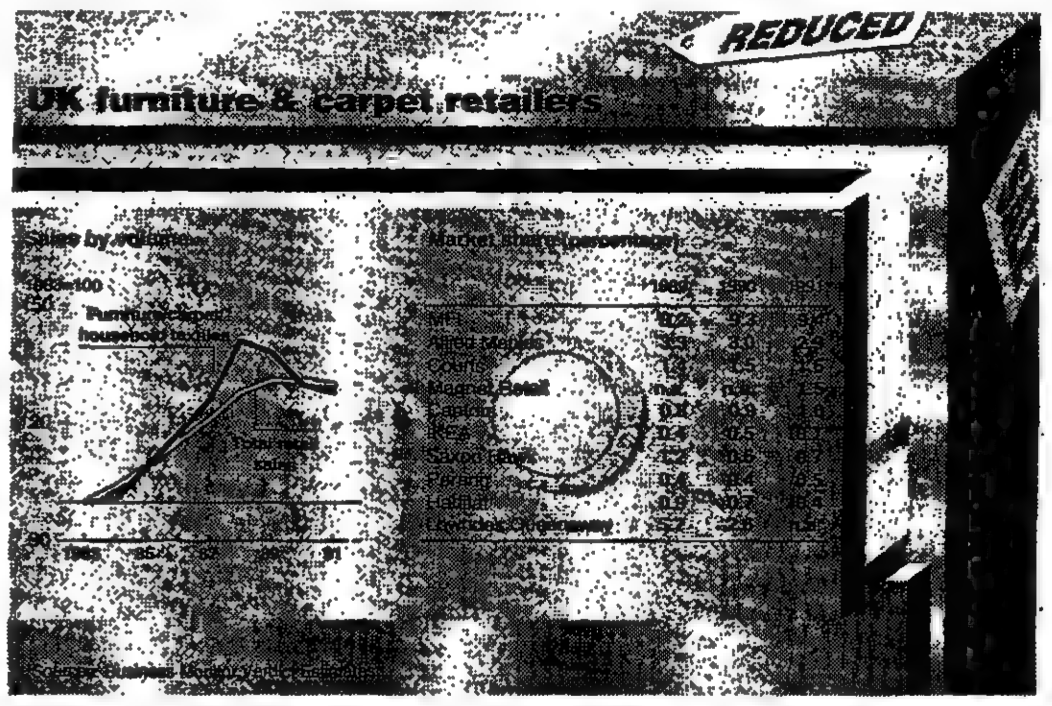
MFI's survival when others, notably Lowndes Queensway, failed is a mark of the management's efforts. There is wide acclaim for the team, headed by Mr Derek Hunt, which has stuck together through thick and thin.

Mr Paul Deacon, retail analyst at Goldman Sachs, says: "MFI is one of Britain's outstanding retailers, and it all comes down to the management."

Unlike Lowndes Queensway, the MFI team had run the group for some years before the buy-out. Even so Mr Hunt readily admits that running a business with £500m of debt through the worst recession since the 1930s has taught him some lessons.

When the fall in sales first hit the group in 1989 it tried cutting its prices, but soon found that did no good. People had just stopped buying. After that gross margins were put up again and have been held throughout the recession.

It also dawned on the group that the old system where stock was held in the shop and customers took it away – on a roof rack borrowed from MFI if necessary – could be replaced by an efficient delivery system so long as customers could be assured of a delivery date.



Computer systems linking the shops to the factory and warehouse made that possible, and also meant stocks could be slashed. Stocks have fallen from £106.5m at the 1989 year-end to £69.6m in the latest balance sheet. Shop space has been freed, which can be let to other retailers.

"MFI is a very different animal from the one it was in 1987," Mr Hunt says. In spite of the recession it is a "stronger, better organised business". Although the debt burden has pushed the group into losses, at the trading level it has been profitable throughout the recession.

In the four-and-a-half years since the buy-out, MFI has paid £260m in interest and invested £250m. With its debt reduced from £500m to £100m via the float, the group will immediately see a sharp rise in pre-tax profits.

That should be followed, analysts hope, by a reversal of the gearing effect which cut profits so savagely in the recession. A small improvement in sales should bring a large rise in profits. The managers who backed the buy-out have seen their original incentives vanish. A new plan was agreed with the shareholders before serious work on the flotation began. Under this scheme the managers will share an £11m bonus. Good, but nothing like the original bonanza.

Lex, Page 18

Pathfinder prospectus published by MFI

By Maggie Urry in London

MFI, the furniture retailer which in 1987 was the subject of the largest UK management buy-out then seen, yesterday published the pathfinder prospectus for its planned reflotation.

It also reported results for the year to end-April. These showed trading profits up 51.6 per cent to £73.7m ($134m) and pre-tax profits of £8.8m compared with losses of £24.2m. Sales rose by 3.8 per cent to £644.4m.

Had the float taken place before the year began, pre-tax profits would have been £67.1m and earnings per share 7.5p. The prospectus promised a progressive dividend policy.

It said "the first half of 1992 has seen conflicting signs of a recovery in consumer confidence". The post-Christmas sales were strong.

In March and April sales rose more slowly, but since then they have been broadly in line with the previous year.

The float, expected to value the group at about £750m compared with the £718m buy-out, will raise £564m for the company, before expenses.

The group will still have £100m of debt after the float, close to the pro-forma £107.2m of shareholders' funds.

Under an incentive arrangement, Mr Derek Hunt, chairman and chief executive, will receive £1.3m, six other directors will receive £1m each, and one, Mr Trevor Tellett who joined the board in 1989, will get £215,000.

The issue will be priced on July 2, with applications closing on July 10, and dealings starting on July 17.

A quarter of the issue will be sold through a public offer, with 10 per cent sold through financial intermediaries and the rest placed with institutions, some in continental Europe.

County NatWest is sponsoring the issue and the brokers are Rowe & Pitman and Smith New Court.

Taubman to raise $100m in sale of 8m Sotheby's shares

By Antony Thorncroft in London

MR Alfred Taubman, chairman of Sotheby's Holdings, is to sell 8m of his shares in the auction house. The sale is expected to raise $100m (£55m).

Mr Max M. Fisher, vice-chairman, and the Martinique Hotel Inc, are to offer between them another 2m shares.

Mr Taubman will retain around 14m shares in Sotheby's and voting control.

There was no trading in Sotheby's shares in New York yesterday but on Wednesday they closed at $12¾. It is expected that when the offer goes out at the end of the month the price will be around this figure.

Two million of the Class A shares, which have limited voting rights, will be offered outside the US and Canada.

Mr Taubman, who paid £80m for Sotheby's in 1983, sold around 2.6m shares in 1988 at $18 a share, raising $47m.

He has written to Sotheby's employees saying that his commitment to and confidence in Sotheby's remains unimpaired and that he expects to continue as chairman for some time.

Sotheby's is currently recuperating from the recession in the art market. In the first quarter of 1992, it incurred a loss of $5.2m, but this is always its weakest time of the year. In 1991 it made a pre-tax profit of $21.5m, against $154.5m in the previous year, but it believes that the worst is now over.

It has long been rumoured that Mr Taubman, a Detroit property developer with a large interest in shopping centres, was wearying of his investment in Sotheby's.

He helped to widen the demand for art, particularly for Impressionist and modern pictures, which experienced a dramatic rise, and fall, in values.

He also enjoyed the social prestige which came from owning the world's largest auction house.

But the collapse of the Impressionist market in 1989 badly affected Sotheby's turnover and profits. It is now concentrating on connoisseur markets, such as Old Master pictures, furniture, and silver, rather than on speculative modern art.

Mr Taubman has also been affected by the fall in property values in the US. One of his achievements was to obtain planning permission to build apartments above Sotheby's auction rooms in Manhattan's York Avenue. These plans have been postponed.

BA prices Russian venture at $900m

By Paul Betts in Berlin

BRITISH AIRWAYS expects the development of Air Russia, its new Moscow-based joint airline venture, to cost up to $900m, Sir Colin Marshall, BA chief executive, disclosed yesterday.

The overall investment to set up the new airline would include $100m in equity, another $100m in new terminal construction costs at Moscow's Domodedovo airport, and the balance in working capital and aircraft funding.

BA will hold a 31 per cent stake in the venture with the remaining 69 per cent held by Russian partners including the international commercial division of Aeroflot, the Domodedovo division of Aeroflot and the Russian Republican Innovation Fund.

Sir Colin, speaking at an FT aerospace conference in Berlin, said that Air Russia was expected to start operations in 1994 or possibly even earlier. The new venture would create about 1,000 jobs.

The airline plans initially to operate a fleet of seven jet aircraft with the Boeing 767 the most likely candidate.

Sir Colin said the project had survived the political turmoil following the break-up of the Soviet Union last year. The joint venture's newly constituted board held its first meeting last January in Moscow.

"I do not suppose that throughout the complex and colourful history of air transport has an airline company been formed against a more extraordinary background," Sir Colin said.

BA and its Russian partners plan to make the proposed new terminal at Domodedovo airport the base of an international east-west airline hub.

The new airline would operate flights from Moscow to western Europe, North America and Asia. It could also eventually operate domestic routes in the Commonwealth of Independent States.

Sir Colin said the biggest problem facing the venture was regulation. "Russia and the other CIS states must regard the re-establishment of a sound and stable organisational structure for civil aviation a priority," Sir Colin said.

This would require the devolution of Aeroflot, the former Soviet carrier, and the creation of a comprehensive regulatory framework to encourage growth and development.

Uni Storebrand opens the year with fall to NKr26m

By Robert Taylor in Stockholm

UNI STOREBRAND, Norway's leading private insurance company, suffered a sharp fall in profits in the first four months of the year to NKr26m ($4.17m) from NKr437m for the same period of 1991, it said yesterday.

The decline is partly due to the costs of trying to create a pan-Nordic insurance conglomerate over the past seven months after buying 8 per cent of Skandia, Sweden's leading insurance company.

Uni said it had lost NKr178m on the investment, including a NKr27m writedown of shares that Uni also acquired in the Danish insurance group, Baltica, as part of its pan-Nordic design.

The attempt to create a Nordic insurance giant has yet to be resolved. Uni said it was holding further discussions with Skandia to try and find a solution.

On top of its problems over Skandia, Uni said its profit decline was also due to NKr123m paid out in insurance premiums for damage caused by the hurricane which hit Norway's north-west coast last January, as well as a NKr90m increase in allocations for personal injuries and a lower profit from the company's investment portfolio.

But Uni said that the results laid the foundation for "a substantial improvement later in the year."

Its life assurance company made a profit of NKr800m for the first four months, with an increase of 20 per cent in premium income for life assurance.

By contrast, its non-life insurance activity saw a sharp fall in profits to NKr82m from NKr435m for the same period of last year.

COB probes Schneider trades

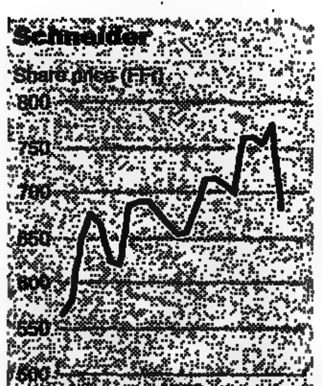
By William Dawkins in Paris

FRENCH stock market regulators have opened an inquiry into dealings in the shares of Schneider, the electrical engineering and construction group.

The share prices of Schneider and its separately-quoted subsidiaries and holding group fell steeply this week, ahead of a shareholders' meeting at which Mr Didier Pineau-Valencienne, chairman, cut his profits forecast for this year.

Schneider had earlier told a meeting of financial analysts that profits would rise to about FFr400m ($73.93m) this year, instead of an estimated FFr650m. This compares with a net profit of FFr275m last year, and FFr923.9m in 1990. The readjustment reflects lower-than-expected earnings from Merlin Gerin, an electrical equipment subsidiary, due to its customers' caution over making internal investments.

The Commission des Opérations de Bourse, the stock exchange watchdog, said it was studying the way in which Schneider released this information as well as the trade in the shares. Schneider's share price stood at FFr670 yesterday afternoon, 12.2 per cent down on the price on Tuesday, the day of the analysts' meeting.



This is similar to a COB inquiry last year into a sudden drop in the share price of Michelin, the tyre maker, after an analysts' meeting at which it forecast a bigger than expected loss. Then, the COB criticised Michelin for not having informed the market before holding the meeting.

Gloomy Pilkington cuts its dividend

By Maggie Urry in London

PILKINGTON, the UK-based glassmaker, yesterday slashed its dividend and warned it could see no sign of a recovery in trading conditions. The dividend cut was the first since it went public in 1970.

Sir Anthony Pilkington, chairman, said trading conditions "have been the worst anyone can remember".

Pilkington's main customers are the building and automotive industries, both important indicators of the economy's health. Sir Anthony said that in neither the UK nor the US could he see "the mechanism to start a recovery".

Pilkington shares fell 3p to 129p yesterday, but have fallen from 164p in early May as the City of London began to anticipate a dividend cut and BTR sold its 4.1 per cent stake.

Pilkington made a pre-tax loss in its UK business in the financial year to March 31. Overall, group pre-tax profits fell from £151.6m to £77m ($141.4m), after exceptional costs of £37m relating to redundancy and reorganisation costs.

In December, Pilkington maintained its first interim dividend at 2.93p. At that time, it hoped to hold the second payment at 7.57p, but yesterday it was cut to 3.07p. That gives a total of 6p for the year, a 43 per cent reduction.

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In defence of voting restrictions

David Waller on the business of exploiting German company law

ANGLO-SAXON merchant banks are making a living in Germany defending what – on their home patch – would be indefensible.

They are helping the management of large German companies fend off would-be predators with the help of mechanisms which restrict shareholders' voting rights.

Morgan Grenfell, the London-based merchant banking subsidiary of Deutsche Bank, Germany's largest bank, is advising Continental, the German tyre company, on how to defend itself against Pirelli as the Italian company tries to remove voting restrictions at its German rival.

S. G. Warburg, another London-based investment bank, is advising the Vorstand – management board – of Aachener und Münchener Beteiligungs (AMB), one of Germany's largest insurance groups, on how best to deal with the unwelcome attentions of Assurances Générales de France (AGF), the French state-owned insurer.

Although AGF has built up a stake of over 25 per cent in the German group, its voting rights are limited to just 8 per cent due to an arcane part of German corporate law which allows the AMB Vorstand to decide whether shareholders are entitled to vote. The Vorstand's decision not to register AGF's 17 per cent block of shares was upheld last month by the Regional Court of Aachen.

The battle over the restrictions at Continental will come to a head at a shareholders' meeting on July 3, when, for the second year running, Pirelli will attempt to remove a rule which restricts voting rights in the German company to 5 per cent, no matter how big a shareholder's stake.

Mr Wolf-Dieter Baumgartl, chief executive of Aachener und Münchner Beteiligungs, yesterday challenged **Assurances Générales de France (AGF) – the big French state-owned insurance company which has amassed a 25 per cent-plus stake in AMB – to come to the negotiating table.**

He said that despite a war of words between the two companies, AMB was more than willing to enter talks if the French company were ready to present concrete proposals for co-operation.

However, AGF was not interested in real co-operation; instead it was engaged in an "increasingly open takeover attempt" designed to give AGF access to the German insurance market, he said.

Under these circumstances, it was appropriate for the AMB management board not to register voting rights *attached to a large portion of the AGF stake.*

In March last year, Pirelli won a similar vote. However, the outcome of that meeting was recently overturned by a Hanover court and the Italian company has decided to launch a second challenge.

The rule is naturally irksome to Pirelli, as it owns 5 per cent of Continental and has options over another 34 per cent. Merger talks between the two companies broke down in December after 18 acrimonious months. It is thought Pirelli would like to sell its shares for as much as possible, and that the holding would be worth more without the voting restrictions.

Continental is not alone in having such a restriction, or *Stimmrechtsbeschränkung* as it is known in Germany. A study conducted last year by Bank Julius Bär, a Swiss bank, showed that at least 17 large German companies have such a rule in place. Among these are Deutsche Bank; Mannesmann, the engineering company; and BASF and Bayer, two of Germany's big three chemicals groups.

The restrictions at AMB are different in that they leave it entirely to the management to decide who should have a vote.

The other type of voting restrictions were granted to German companies by their shareholders in the early to mid-1970s. The purpose was explicitly to prevent Middle Eastern countries using the proceeds of high oil prices to buy up German industry.

Some feel, however, that these restrictions are anachronistic. They are seen as a way of making sure that German company directors lead comfortable lives, undisturbed by the threat of takeover.

Morgan Grenfell and Warburg deny the rules being exploited by their clients are primarily a management protection device.

"It is a method of preventing someone acquiring creeping control of the company without having to pay a proper premium," argues Mr Piers von Simson of Warburg, referring to the so-called *vinkulierte Namensaktien*, special shares whose votes can only be entered on the share register at management's discretion.

Morgan Grenfell bases its defence on the argument that the restrictions are in the interest of minority shareholders.

"The major problem with the German system from a minority shareholder's point of view," says Mr Jeremy Lucas of Morgan Grenfell, "is that there are no rules obliging a predator to extend an offer to all shareholders. Minority shareholders are thus exposed to the danger of having an undesirable and unworkable transaction forced on them by a 40 per cent shareholder."

These arguments are rejected by Pirelli and, more recently, Germany's largest small shareholder organisation. "Voting right restrictions in general negatively influence the value of shares," Pirelli said, and are "therefore detrimental to the interests of all shareholders".

The Düsseldorf-based Deutsche Schutzvereinigung für Wertpapierbesitz (DSW), with 10,000 small shareholder members, last week published an open letter to the Continental Vorstand, arguing that restrictions acted against the interest of minority shareholders. Shareholder ought to have votes in line with their economic interest in a company.

The Julius Bär study says the best way to prevent an unwelcome takeover comes not from voting restrictions, but from good business performance and communications.

In the spirit of this, a few insurance companies have shed their *vinkulierte Namensaktien*. In the meantime, however, German companies and their advisers are making the most of these defences.

Buoyant British Land advances 7.4%

By Vanessa Houlder, Property Correspondent

MR John Ritblat, chairman of British Land, yesterday claimed he saw a turning point in the UK property market. "For the first time since 1989 we think we have now seen the worst," he said.

His remarks accompanied the announcement of a 7.4 per cent rise in profits to £33.3m ($60.6m) from £31.0m for the year to March 31. Net assets per share fell 18 per cent from 401p to 329p.

Mr Ritblat, a veteran of the 1974 property crash when British Land's share price dropped to 3.5p, said this property slump was "far more serious" than that of the early 1970s.

However, he said he thought that investors in good quality property were beginning to come back to the market, even though it would take several years for rental values to improve.

"Markets may be flat and difficult, but we believe that they will respond to a selectively improving trend," he said.

Mr Ritblat said he did not expect further writedowns in his portfolio this year. He hoped that writing down book values by 60 per cent over three years in the City of London, the worst-affected investment market, had "removed any further downside from the equation."

A final dividend of 4.28p was declared, making a total of 6.35p against 5.75p.

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Kalon in £106m bid for paint rival

By Peter Pearse in London

KALON GROUP, the West Yorkshire-based paint manufacturer, yesterday launched a hostile £106.1m ($197m) bid for Manders (Holdings), the Wolverhampton paints, inks and property group.

The eight-for-three all-paper offer values each ordinary Manders share at about 288p. Manders shares closed up 54p at 291p, while Kalon's eased 2½p to 108p.

ING profits advance 8.8% to Fl 358m in first quarter

By Ronald van de Krol in Amsterdam

INTERNATIONALE Nederlanden Group (ING), the Dutch banking and insurance company, said first-quarter net profit rose by 8.8 per cent to Fl 358m ($200m), on turnover up 8 per cent at Fl 12.5bn.

The pre-tax profits of the group's insurance activities rose by 8.5 per cent to Fl 228m, outstripping a 4.5 per cent increase to Fl 255m at NMB Postbank, ING's banking arm.

Strong growth in international lending helped ING's total loan portfolio expand by 3.1 per cent to Fl 130.4bn in the first quarter compared with the quarter to December 31 1991. Although growth in the important domestic lending sector was limited to less than 1 per cent, foreign lending rose by 13.1 per cent.

● Fortis, the Belgian-Dutch insurance group, reported a 17.8 per cent rise in first-quarter net profit to Ecu73.3m ($58.93m) with all main sectors except car insurance posting higher results.

Operating profit grew more slowly, rising by 10.6 per cent to Ecu72.0m. Revenues were up 22.9 per cent at Ecu2.3bn.

The rise in net profit was aided by a sharp increase in capital gains to Ecu28.6m from Ecu17.0m. The company, formed in 1990 through the merger of Amev, the Dutch insurer, and its Belgian counterpart Groupe AG, said full-year capital gains may not reach the 1990 and 1991 levels.

INTERNATIONAL COMPANIES AND FINANCE

Sony breaks silence on Mini Disc

By Michiyo Nakamoto

SONY, the Japanese electronics group, is gearing up its marketing and publicity campaign for the introduction of its Mini Disc, an 8cm recordable compact disc which it hopes will capture the portable music market, valued at well over $10bn.

After a prolonged silence, which aroused speculation that the Mini Disc was facing technical difficulties, Sony has recently been demonstrating its product throughout world markets. It wants to dispel ideas that Mini Disc is being overshadowed by a rival product, the digital compact cassette (DCC), to be launched by Philips later this year.

"Product development is progressing on schedule," Sony said at a Europe-wide demonstration in Salzburg this week. "*We now have the facts* and can start talking."

A crucial technology which Sony demonstrated at Salzburg was the recording capability of Mini Disc, which had been of particular interest among industry-watchers.

Prototype models of the Mini Disc player shown included a gold radio cassette boom box model, a lightweight playback-only Mini Disc Walkman, and a slightly heavier recordable Walkman.

Sony said the hardware, *planned for introduction in* Europe by Christmas, would be priced at below DM1,000 ($625) for playback-only models, and 25 per cent more for a portable record/playback unit.

It plans to ship 1m hardware units in the first year of production, with 250,000 allotted for Europe.

Pre-recorded discs, of which there will be an initial 300 titles, are expected to cost about the same price as Compact Discs, while blank discs will be priced at around DM15.

Three of Sony's own production facilities in Japan, the US and Europe are ready to produce a total of 1.5m discs worldwide within the year.

Breaking the silence about the Mini Disc should go some way in dispelling rumours that Sony's new product was plagued by a difficult technology, and a format that was too different and too small to appeal to either consumers or retailers.

The group has addressed the *problem of the size – which would have forced retailers to* invest in completely new racks for display – by fitting the 7cm by 8cm discs into a case as big as, and shaped like, a cassette tape case.

However, Sony, whose Mini Disc will be competing with DCC, a digital audio cassette to be launched by Philips and its *licensees*, still has some catching up to do in marketing and publicity.

Its Dutch rival, which has *shown a previously-unknown* zeal for marketing the product, has already won widespread industry support from hardware manufacturers and *recording companies.*

Sony, by contrast, has lagged behind Philips in winning industry support.

There have been signs of *resistance within the software* industry to a product that they worry could kill CD sales.

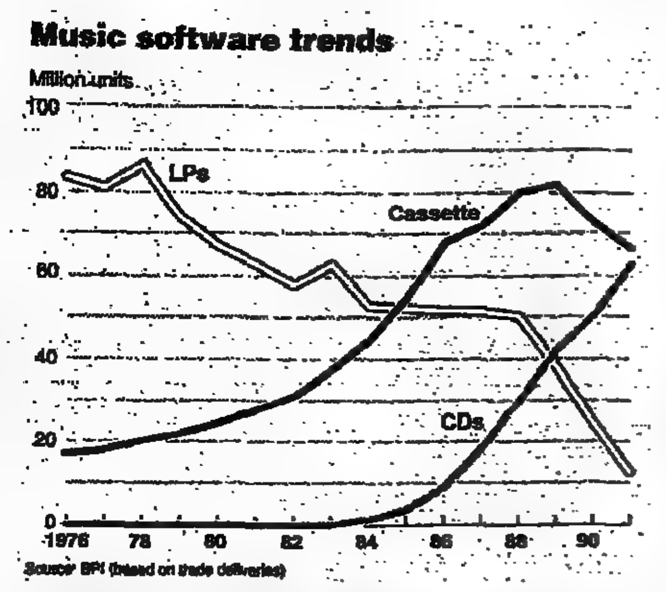
Recording companies to have signed up to release music on Mini Disc format include Sony Music Entertainment and EMI. Negotiations are still continuing with Warner Music Group, a division of Time Warner. Polygram, which is 80 per cent-owned by Philips, has no plans yet to release on Mini Disc.

Sony, which has been set back recently, first with the failure of Betacom, its VCR format, and then with digital audio tape, is nevertheless confident that consumers, if not record companies, will vote for its technology.

Sony believes the main reason cassette tape sales have fallen is because of their lack of random access, which Mini Disc has but DCC, being a tape, does not.

"DCC is not the right product to address the demands of consumers," it says. And once consumers show their preference for Mini Disc, record companies will not be able to dictate what medium their artists record on.

Music software trends



Source: BPI (based on trade deliveries)

Threat to Bond Corp reconstruction

By Kevin Brown in Sydney

AUSTRALIAN Consolidated Investments (Acil) yesterday withdrew from the management committee overseeing the financial reconstruction of Bond Corporation Holdings, formerly run by Mr Alan Bond, the bankrupt entrepreneur. The withdrawal, announced in a statement to the Australian Stock Exchange, could cause the collapse of the reconstruction, and force Bond Corp to put its few remaining *assets into liquidation.*

It follows an earlier decision by Acil to stop working capital payments of up to A$1m a month, provided for under a scheme of arrangement worked out last year between Bond Corp and its creditors.

However, officials said Bond Corp might be capable of financing its scaled-down operations from other sources, allowing it to continue the reconstruction without the co-operation of Acil.

Acil, formerly Mr Robert Holmes à Court's Bell Resources, is Bond Corp's largest secured creditor. It would emerge with about 11 per cent of the group's capital under a scheme of arrangement worked out last year.

Acil is believed to be in dispute with Bond Corp management over the group's use of its working capital payments, and the repayment of Bond Corp's debt to Acil of about A$168m (US$128.20m).

Most of Bond Corp's assets have been sold to pay debts. The group retains small shareholdings in BSkyB, the UK satellite television operator, and G. Heilemann, the US brewery. It also owns land in Australia.

Separately, Acil announced the cancellation of a proposed A$220m flotation of the Bass Strait oil royalties owned by Weeks Petroleum, a wholly-owned subsidiary company.

Mr Colin Henson, executive director, said the acquisition of Acil by Rossington Holdings, a bidding vehicle controlled by Sir Ron Brierley, had "changed the assumptions on which the float was to proceed".

Rossington, jointly-owned by Brierley Investments of New Zealand and GPG, Sir Ron's quoted UK company, owns 85 per cent of Acil following a protracted takeover battle.

Rossington made no secret of its opposition to the float of Weeks' royalties, which it claimed were being disposed of too cheaply. At one stage, Rossington took court action to delay the despatch of the offer documents.

● Mr Bond, who was jailed for two and a half years last month for breaches of company law, is expected to remain in Royal Perth Hospital for several days for tests to *determine the cause of chest pains.*

His condition was said to be stable. The state's supreme court is expected to rule today on an application for bail pending an appeal against conviction and sentence.

In Sydney, the federal court granted an order to Mr Robert Ramsay, trustee of Mr Bond's bankrupt estate, freezing the assets of Mr Bond's A$2.7m pension fund.

The order restrains the trustees of the fund from dealing with the assets other than in an administrative way until the court decides who is entitled to them. Mr Ramsay claims the assets belong to Mr Bond's creditors.

Swedish forestry group down sharply

By Robert Taylor in Stockholm

SCA, Sweden's second-largest *forestry company, yesterday* announced a sharp drop in profits (after financial items) for the first four months of the year, to SKr204m ($35.47m) from SKr1.10bn for the same period of 1991. Net sales dropped to SKr10.60bn from SKr11.52bn.

Mr Martin Löf, chief executive, forecast profit (after financial items) for the whole of 1992 would be between SKr400m and SKr600m. This compares with a profit of SKr1.22bn for last year.

SCA has been able to cushion the full impact of the recession in the pulp and paper industry through its extensive restructuring programme, designed to produce savings of SKr1bn. The company estimated that there had been savings of SKr365m in the first four months of this year.

The company has a much more diversified range of products than other Swedish forestry groups. This, however, has not stopped the fierce price war in the industry and the continuing weak demand from affecting its sales of paper and pulp products.

Operating profit for the packaging business fell in the first four months by 21 per cent, to SKr161m from SKr203m. It made an actual loss of SKr94m in its graphic paper division compared with a SKr106m profit last time.

SCA's operating profit in forest and timber activities dropped 27 per cent, to SKr100m from SKr159m. By contrast, there was a 7 per cent improvement in its operating profit for hygiene products, to SKr252m from SKr235m, due to higher volumes and improved production efficiency.

Mr Löf said SCA's recovery depended on the pace of the business revival in the US and Europe. He said there were some welcome signs of an upturn in the US packaging industry, with a particularly sharp improvement in volume in the corrugated liner sector.

Central Capital bidders to meet regulator terms

THE THREE companies bidding for Central Guaranty Trust, the core company in the troubled Central Capital financial services group have now agreed to to buy all of it, writes Robert Gibbens.

National Bank of Canada and Canada Trustco, a subsidiary of Imasco, the finance conglomerate, had proposed buying two-thirds of Guaranty's business, leaving the remaining one-third unsold.

These two companies, to satisfy federal regulators, now say they will be more flexible on the Guaranty assets they seek. Together with Montreal Trust, a subsidiary of BCE, they will make a new offer.

Quaker Oats to keep Italian unit

QUAKER Oats, the US foods group, has decided not to sell its Italian edible oils business, Reuters reports from Chicago.

Garma, an enterprise of Mr Raul Gardini and Mr Giulio Malgara, former president of Quaker's European grocery products business, had shown interest in buying the Italian oils business and distributing Quaker products in Italy.

Mr William Smithburg, chairman, said: "After evaluating Garma's proposal and prospects for the oils business, we decided it is in the current best interest of our shareholders to keep it."

Writedowns hit net at James Hardie

By Kevin Brown

JAMES Hardie Industries, the Australian building products group, yesterday announced a 92 per cent reduction in net profit, to A$5.9m (US$4.5m), for the year to the end of March. Sales were ahead 4.6 per cent to A$1.8bn.

The reduction in net profit was caused by an abnormal *loss of A$73m following* a decision to write down the value of intangible assets and the group's investment portfolio.

Mr David Say, managing *director, said the writedown* followed plant closures caused by rationalisation, and the introduction of a revised accounting standard on the valuation of assets.

CSR, the building products and sugar group, recently announced a net loss of A$385m after writing down plant, equipment, goodwill and trademarks by A$558m to comply with the revised standard.

The abnormal loss at James *Hardie was dominated by a* A$57m provision against the cost of closing three fibre cement plants in Australia. The group also wrote off *A$37m against a US cement* plant, A$15m against intangible assets, and A$19m to bring investments into line with market values.

The write-offs were partly offset by a A$56m abnormal gain from the sale of James Hardie's 45 per cent shareholding in Spicers Paper late last year.

The board cut the final dividend by 25 per cent to 6 cents, partly franked, making a total dividend for the year of 12 cents, compared with 17 cents the previous year.

Mr Say said the group would restore the dividend as soon as profits improved. However, *there were only patchy signs of* recovery, and the outlook for the current year was unclear.

INTERNATIONAL COMPANIES AND FINANCE

Investcorp pays $375m for Circle K business

By Nikki Tait in New York

CIRCLE K, the Arizona-based convenience store chain, has signed a definitive agreement for the sale of its business to CK Acquisitions, an investor group led by Bahrain-based Investcorp.

The price tag, however, is only $375m, compared with $425m envisaged under a preliminary accord three months ago.

Circle K filed for bankruptcy protection over two years ago, and the deal is subject to approvals from both the bankruptcy court and the company's creditors.

The preliminary agreement was opposed by the official bondholders' committee at Circle K, although three other creditor groups have already said that they support the revised deal.

Circle K operates some 3,400 convenience stores in 32 states.

Investcorp and its partners, meanwhile, have built up significant retail interests in the US – most notably, acquiring Saks Fifth Avenue, the department store chain, from Britain's BAT Industries.

● Child World, the ailing toy retailer which is also operating under the protection of Chapter 11 of the US bankruptcy code, has petitioned the courts for permission to liquidate stocks and close remaining stores.

The company said it was in talks with Lionel Corporation about merging the two companies' businesses, but that in the absence of an agreement, it expects to initiate going-out-of-business sales "within a short period of time".

A bankruptcy court hearing has been set for June 15.

Chrysler to appeal wipers fine

CHRYSLER, the US car-maker, is to appeal a federal jury's decision to fine it $11.3m for infringing inventor Mr Robert Kearns' patent for intermittment wipers, Reuter reports from Detroit.

"We believe the amount of the verdict is unreasonable and excessive, and far exceeds any possible value of the Kearns' patents," Chrysler said.

"Chrysler developed and patented its own intermittent windscreen wiper system, which we believed and continue to believe did not infringe Mr Kearns' patents."

Mr Kearns, 64, won the patent case against Chrysler last December. A federal jury found that Chrysler infringed on four patents for intermittment wiper systems designed by Mr Kearns.

However, in the latest decision, the jury ruled Chrysler's infringement was not wilful and ordered the company to pay Mr Kearns $0.90 for every vehicle sold with the wiper system between May 1977 and August 1988. According to court documents, Chrysler sold 12,564,107 vehicles during that period.

Mr Kearns said he was seeking anywhere from $3 to nearly $30 per car, or $37.7m to $377m in damages. Had the jury found Chrysler's actions wilful, US District Court Judge Avern Cohen could have awarded Mr Kearns triple damages.

Mr Kearns, a former engineering professor, said he would also file an appeal with the US Circuit Court of Appeals in Detroit to seek an extension of his patents, which expired in 1988.

ConAgra predicts small earnings rise for year

By Nikki Tait

CONAGRA, the diversified US food group, expected earnings per share to show only a small advance for the year ended May 31.

It predicted that earnings for the 12 months would be about $1.50 a share, compared with $1.42 in 1990-91. Earnings for the final quarter would probably be static at around 48 cents.

Some parts of ConAgra's business have faced tough operating conditions in recent months. Its consumer frozen foods business has been embroiled in a price-war, with ConAgra's Healthy Choice brand coming under intense pressure from other manufacturers of reduced calorie frozen dinners, like Nestlé and Heinz.

On the cattle feed front, ConAgra said there was a return to profits "a few months ago", but it acknowledged that chicken products, like cattle feed, experienced a cyclical downturn in 1991-92. It suggested results here could improve "meaningfully" in the new financial year, if industry supply was not excessive.

ConAgra said 1992-93 earnings should rise "significantly" in the last nine months, after a flat first quarter.

Equity move at Salomon Bros

By Martin Dickson in New York

SALOMON Brothers, the New York investment bank recovering from last year's Treasury bond auction scandal, yesterday moved to strengthen its battered US equity operation with the appointment of Mr Rodney Berens as co-head of the department.

Mr Berens, 47, formerly in charge of global research at Morgan Stanley, will share responsibility for the department with its existing head, Mr Bruce Hackett, and like him will join the executive committee which runs the securities firm.

Lyonnaise des Eaux sees 20% recovery

By William Dawkins in Paris

LYONNAISE des Eaux Dumez, the French water utility-to-construction group, yesterday forecast a 20 per cent profits recovery for the current year and said more asset sales were on the way.

Mr Jérôme Monod, chairman, said that the group expected to achieve the earnings improvement despite the continuing poor climate in building and construction.

Net profits last year fell to FFr1.17bn ($218.3m) from FFr1.4bn in 1990.

Mr Monod said the group was planning to sell a 2 per cent stake in Havas, the French media group, next month and its remaining 1.9 per cent in Havas some time in the next year.

The group was also planning to sell United Westburne, its lossmaking Canadian building materials subsidiary, but not before 1993, by when United Westburne should be breaking even.

The group made a FFr1.87bn profit from asset sales last year, in line with its policy of focusing on its main businesses and curbing debts.

● Mr Jean-Louis Beffa, chairman of Saint Gobain, the glass and pipe-making group, yesterday forecast that net profits this year would exceed last year's FFr2.5bn.

The US economy showed clear signs of recovery and sales in Germany were holding up well, he told a shareholders' meeting.

Correction

Investment in Quebec survey

THE chairman of Hydro-Quebec is Mr Richard Drouin, not Brown, as wrongly stated in a picture caption on page three of the Investment in Quebec survey on June 2.

Upjohn re-applies for FDA approval of contraceptive

By Alan Friedman in New York

UPJOHN, the US drugs company, has applied to the Food and Drug Administration (FDA) in the hopes of getting approval to market an injectable contraceptive product in the US.

The company said it would seek approval a second time to market the drug Depo-Provera as a contraceptive.

In the 1970s, the FDA declined to give the green light for the drug's marketing as a contraceptive because of questions about its safety. A board of public inquiry, later asked by Upjohn to review the FDA decision, ruled against the company in 1984.

The key concern at the FDA was data from an Upjohn study suggesting Depo-Provera caused breast cancer in beagles. The FDA has since decided the beagle dog was not an appropriate animal model for predicting cancer effects in humans.

The drug is, however, already on the US market for use in treating kidney and endometrial cancers. Analysts estimate its US sales at $108m, while revenues from non-US markets, where the drug is sold in some 90 countries as a contraceptive and as an anti-cancer product, are estimated at an additional $74m. More than 30m women in 60 countries are understood to use the drug as a contraceptive.

Although Upjohn has not conducted any new studies of the drug since withdrawing its last application, it has told the FDA a study by the World Health Organisation concluded the use of Depo-Provera as a contraceptive did not constitute a health risk.

● Mr Melvin Goodes, chairman of Warner Lambert, the US pharmaceutical and consumer products group, expects second-quarter 1992 net earnings per share to rise by 13 per cent year-on-year, suggesting a net profit of about $175m. Earnings per share would be about $1.30, against $1.15 in the same period of 1991.

Mr Goodes said the rise would place Warner-Lambert on track to improve full-year 1992 earnings by about 15 per cent. But full-year comparison is only appropriate when comparing 1991 earnings before a $544m accounting adjustment, and other restructuring charges. Net income in 1991 was only $34.8m after all charges were taken.

Wang files more patent suits against Japanese

By Louise Kehoe in San Francisco

WANG Laboratories, the US office computer company, has filed suit against the US subsidiaries of Mitsubishi Electric and NMB Semiconductor, both of Japan, charging that they are selling products that infringe Wang patents.

Wang claims Mitsubishi and NMB used its patented single in-line memory module (SIMM) technology without license. A SIMM is a holder for multiple memory chips that plugs into a computer circuit board to add memory capacity. The devices are widely used in personal computers.

The suits are the latest move in an aggressive patent enforcement effort by Wang. Last August, Wang won a similar case against NEC and Toshiba.

The US court awarded Wang damages of $3.3m and ordered the two companies to halt manufacturing and sale of SIMMs in the US.

Since then, Wang has reached licensing agreements with over 30 US and foreign companies.

CONTRACTS & TENDERS

Brokers' secret weapon is wrap

Patrick Harverson examines the appeal in the US of these accounts

IN Wall Street's drive to discover new ways to make money from retail stockbroking, the wrap account has become an important weapon.

Yet this hottest new product in the money management business has itself recently come under fire with critics arguing that the wrap account gives investors little in return for their money.

The concept is not particularly new – early versions date back a decade or more – but it is only in the past year or so that the product has really taken off with individual investors.

Normally, broking houses charge customers for a variety of separate services like investment advice, order execution, custody and clearing – charges that fluctuate depending on how often the customer trades in the market.

With a wrap account, the broker hands over the responsibility of managing the customer's assets to an approved professional money manager, and in return the customer pays the broker a flat fee (based on a percentage of the assets under management) for finding the money manager and servicing the account.

For the investor, the wrap *account has a two-pronged* appeal. First, it puts a cap on broking costs. Investors prefer paying a flat fee because it prevents stockbroking firms from promoting high-commission products or indulging in "churning" – the unnecessary trading of stocks in a customer account just to boost revenues.

The second selling point is that investors with $50,000 to $100,000 in their brokerage accounts can get access to professional money managers who normally handle individual's accounts valued in their millions. In a country where the best investment managers are treated like superstars, this is a strong draw for private investors.

To the money manager, wrap accounts not only bring in extra business, but it is business that requires no marketing or servicing effort. All the manager has to do is make the investment decisions.

Stockbrokers, meanwhile, love wrap accounts. They are an especially lucrative product. The standard fee is usually between 2 per cent and 3 per cent of the assets held in the account. In comparison, investors pay 1 per cent or less for investment funds, and brokers' commission charges for trading stocks in an averagely busy account are even less.

The wrap account also attracts the type of investor brokers love – the conserva*tive client who is more likely* to stay with the broking firm, who is likely to be less active in trading the market (thus keeping brokers' execution costs down), and who may end up allowing the broker to handle all of his financial assets.

This is the great prize brokers hope the wrap account will help them win. *As the US* savings rate rises, Wall Street is competing hard with banks and insurance companies to attract the billions of new investment dollars.

Yet stockbrokers are not the only financial companies to discover the allure of wrap accounts. Banks like Chase Manhattan, insurers like Equitable and giant fund groups like Fidelity are also now offering versions of the wrap account to customers.

It is difficult to get hold of statistics to show how fast they have grown, although industry experts estimate that about $30bn is currently held in wrap accounts. Shearson Lehman is the leader in the field, and has 60,000 clients in wrap accounts with total assets of $13bn. Moreover, they are currently selling like hot cakes. A few weeks ago an executive at the firm said that Shearson was selling wrap accounts at the rate of $7,000m a month.

Despite its popularity with investors, the wrap account has its *critics in the investment community.*

The common complaint is that the 3 per cent annual fee is *far* too high, and that investors get little in return for their money that they cannot get cheaper elsewhere.

Brokers say investors get access to the investment exper*tise of top-level money manag*ers. Yet money in a big US investment fund is in the hands of equally experienced professionals, and the average expense ratio on mutual funds is 1 per cent of total assets.

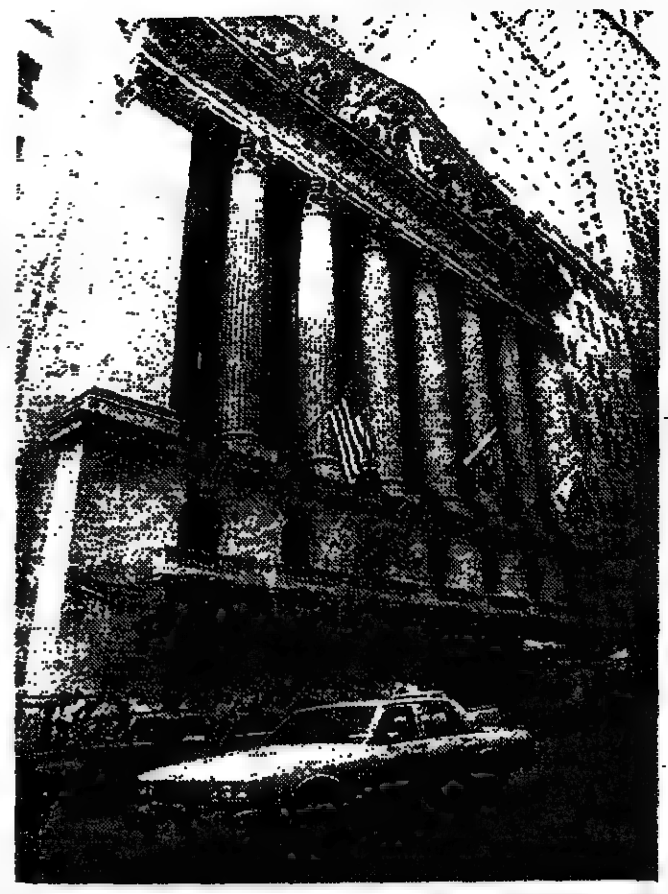
Contrary to what some investors may think, their wrap account does not entitle them to particular individual attention from the money manager.

Mr John Gepfert, an investment consultant with the Randolph Group in Connecticut, believes the small fee that the money manager receives (usually around 0.5 per cent of the assets), makes it improbable that he or she will devote a great deal of time to the account. "You can't be available to a $100,000 client who is paying you only 50 basis points a year," says Mr Gepfert.

There are also concerns about disclosure (how much do investors know about who is managing their money, where it is being invested, and how the fee is split between broker and manager?), about potential conflicts of interest between broker and manager, and about the quality of managers recommended by brokers.

There are 17,000 registered investment advisers in the US, and any one of them could manage a wrap account. In their defence, brokers say they only choose the best to put before customers.

Industry concern about wrap accounts has been sufficient to attract the attention of the *Securities and Exchange Com*mission. At the behest of the investment community, the SEC has been looking into wrap accounts for about a year. Although it has no current plans to take any action, industry insiders believe the least the SEC will want to do is *improve the level of disclosure* to wrap account holders.



Tony Andrews

Wrap accounts are proving hard to beat on Wall Street

HK Macau in hotel deal

HONGKONG Macau (Holdings), a mainland-controlled property investment group, has announced plans to acquire an 81 per cent stake in the Hyatt Xian Hotel for US$42.8m, AP-DJ reports from Hong Kong.

The purchase from Landtrade Engineering & Development, a closely-held Hong Kong group, will be partly financed through a share issue.

Hongkong Macau said it would issue 16m shares, representing 10.4 per cent of its existing capital, at HK$14.30 each, an 8.3 per cent premium to their previous close.

Tightening of controls on Japanese non-banks delayed

By Robert Thomson in Tokyo

THE PROTRACTED parliamentary debate over Japanese peace-keeping personnel has delayed the passage of amendments tightening the Ministry of Finance's control over Japan's non-banking financial sector.

Non-banks, meaning consumer credit, leasing and hous*ing finance companies, have* become the Japanese financial establishment's favourite scapegoat for the rampant lending for stock and land speculation in the late 1980s.

In wanting to be seen to be tackling speculation, the Finance Ministry, with broad support from Japanese politicians, has proposed revisions of the Loan Business Law that will force the non-bank institutions to provide more information about their business activities.

By pushing for the changes, the ministry is extending its authority over a sector which has been the responsibility of the Ministry of International *Trade and Industry* (Miti), as non-banks such as leasing companies are in Japan more closely identified with industry.

Miti does not oppose these amendments, which may be presented to parliament today, depending on the fate of the peacekeeping debate, but it is concerned that increasingly tough controls will strangle the companies' important industrial role.

The non-banks are concerned by the vague wording of the proposed amendments. For example, it is proposed that the Finance Ministry exercise greater authority over the institutions' loans related to "*stocks, etcetera*".

"We are very worried about that etcetera," said Nippon Shinpan, the country's largest consumer credit company. "A lot depends on how they interpret etcetera. We are watching very closely."

Mr Tsutomu Hata, the finance minister, argues that non-bank lending has grown "quite quickly" over the past few years, and "we need rules to ensure their credibility".

From last March, the ministry was empowered to gather information on non-banks' property loan exposure, and the planned revisions will allow it to demand details about other types of loans and *about large customers.*

Part of the concern of companies such as Nippon Shinpan is that the ministry will continue to crack down on so-called "non-banks", while taking a softer line on the bank non-banks, the affiliates of commercial banks which were particularly active speculative lenders during *the late 1980s.*

Leading Japanese banks have links to hundreds of these non-banks, and the Finance Ministry is keen to play down their problem loans as it was responsible for their behaviour and because it wants to ease fears about the health of the banking system.

The non-banks independent *of banks fear that the ministry* is using parliamentary concern about collapsing stock and land prices to fulfil a long-held ambition to restrict their activities. However, the ministry insists a tightening of control is a necessary result of the non-banks' larger lending role.

INTERNATIONAL CAPITAL MARKETS

GPA deal creates new source of funding

By Tracy Corrigan

THE first securitisation of aircraft leases by GPA, the Irish leasing company, yesterday has created a new source of funding for the ailing airline industry.

The $521m issue, arranged by Citibank, is backed by 14 aircraft purchased by GPA and leased to airlines including British Midland Airways, Philippine Airlines and Spanair.

"It opens up a new investor base for the financing of aircraft in the 1990s, in an industry which is projecting significant financing needs", said Mr Andrew Pisker, a managing director of Lehman Brothers, joint lead manager of the transaction.

According to Standard & Poor's, the rating agency, the funding costs of new aircraft over the next 20 years will amount to around $850bn.

The airline industry has been particularly hard hit by economic recession. Many have been unprofitable and have seen their credit ratings dip dramatically. Banks have also been tightening their belts so their traditional source of financing through bank loans has dried up.

Japanese investment in aircraft leases, fuelled by tax benefits, has also tailed off as tax advantages have disappeared.

The GPA deal is made up of five tranches: two public offerings consisting of $208.4m fixed-rate bonds and $104.2m floating-rate notes; a $70.4m private placement; and two tranches of subordinated debt.

The bonds have been rated AA by S&P. The rating is based on the rental flow from the carriers, over $8m in security deposits, the security of the aircraft and an additional $78m loan from Citibank and Crédit Lyonnais.

The deal is expected to be imitated by airline companies, although the diversification of aircraft achieved in the GPA pool will be difficult for some to achieve. GPA, whose public offer of 85m shares closes on June 16, is expected to develop a programme for the securitisation of lease pools.

Dealers switch into Dutch, German paper

By Sara Webb in London and Patrick Harverson in New York

THE D-Mark currency bloc saw firm buying interest yesterday as dealers and investors continued to switch out of the high-yielding European bond markets into German and Dutch government paper.

GOVERNMENT BONDS

The German market kicked off on a weak note, after Mr Hans Tietmeyer, the deputy president of the Bundesbank, was reported as saying that monetary growth was still too high, and ruled out a relaxation of monetary policy. But bund prices were pulled up later by the US Treasury bond market which opened on a firm note. The Liffe bund futures contract opened at 88.29, reached a low of 88.17 and ended the day at around 88.37.

Traders reported some switching out of medium-dated bund issues into the longer-dated maturities with the result that long-dated bunds outperformed the other maturities.

News that Mr Theo Waigel, the German finance minister, had said Germany would not permit the convergence criteria for the European Monetary Union (EMU) agreed in Maastricht to be diluted, also helped the D-Mark sector, traders said.

Dutch government bonds ended firmer, following strong buying interest particularly for the longer-dated issues. The government's latest 8.25 per cent bond due June 2002 closed up 12 cents at 99.87, while the yield fell to 8.27 per cent from 8.29 per cent.

■ DOMESTIC buying on weakness helped to lift UK government bond prices yesterday with the Liffe futures contract trading up from its opening level of 97.28 to end at around 97.31. Volumes in the futures market were above-average at 30,000 contracts.

The benchmark 11¾ per cent gilt due 2003/07 rose from 116⅛ to end at 116¼, but supply concerns continued to depress longer-dated issues beforethe Bank of England'snext auction.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.0364	+0.205	8.84	8.98	9.34
BELGIUM		9.000	08/01	100.6000	-0.050	8.90	8.87	8.78
CANADA *		8.500	04/02	101.4500	+0.580	8.28	8.36	8.50
DENMARK		9.000	11/00	100.0000	-0.220	8.98	8.92	8.77
FRANCE	BTAN	8.500	03/97	99.3386	+0.037	8.92	8.90	8.73
	OAT	8.500	11/02	98.2500	-0.100	8.74	8.69	8.58
GERMANY		8.000	01/02	100.5200	+0.020	7.91	7.95	7.97
ITALY		12.000	02/02	95.6700	-0.330	13.30†	13.01	12.59
JAPAN	No 119	4.800	06/99	95.4000	+0.168	5.72	5.73	5.84
	No 129	6.400	03/00	105.0733	+0.258	5.47	5.50	5.55
NETHERLANDS		8.250	06/02	99.7700	+0.070	8.27	8.32	8.30
SPAIN		11.300	01/02	98.6000	-0.560	11.51	11.25	10.88
UK GILTS		10.000	11/96	103-28	+0/32	8.93	9.18	9.26
		9.750	08/02	104-00	+4/32	9.14	9.09	9.18
		9.000	10/08	99-25	+1/32	9.02	8.91	9.04
US TREASURY *		7.500	05/02	101-07	+8/32	7.32	7.35	7.38
		8.000	11/21	101-14	+8/32	7.87	7.89	7.88
ECU (French Govt)		8.500	03/02	97.1000	-0.040	8.95	8.93	8.63

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

■ US Treasury prices rose yesterday morning in thin trading on the back of signs of a slow economic recovery.

At mid-session, the Treasury's bellwether 30-year bond was ⅝ higher at 101⅜, yielding 7.87 per cent, while shorter-dated maturities were ⅛ to ⅜ higher.

The Federal Reserve refrained from any open market intervention, with Fed funds trading at 3⅝ per cent.

Turnover picked up briefly on signs of continued economic sluggishness following slower than expected May retail sales.

The Commerce Department reported a rise of 0.2 per cent in the month, below the 0.7 per cent analysts had looked for.

The market also took strength from signs of an inert labour market from the jobless claims numbers for the week ended May 30, which were unchanged at 407,000.

Analysts had expected a decline of about 7,000 to reflect the Memorial Day holiday in the week.

■ JAPANESE government bonds traded up during the day, though dealers said there were few fresh factors to move the market ahead of the Bank of Japan's quarterly Tankan report.

The Tankan, which will be released today, is expected to show that the Japanese economy is slowing.

The benchmark No 129 opened with a yield of 5.51 per cent and closed at 5.475 per cent, corresponding to the highest level of the day, while the futures contract rose from 101.82 to 101.90.

Short-term interest rates slipped, with the rate on three-month certificates of deposit falling from 4.67 per cent to 4.65 per cent, their lowest level in over three years.

Italian bond dealers demand delivery ruling

By Haig Simonian in Milan and Tracy Corrigan in London

BOND dealers in Italy yesterday demanded an urgent clarification of the rules on settlement procedures following differences that emerged this week with some foreign counterparties over delivery.

"I have spent most of the past two days arguing with foreign customers about this", said one angry dealer in Milan yesterday. "Reimbursement is not enough".

However, Italian traders contacted universally criticised houses which, according to some London-based dealers, have refused to recognise, on the grounds of late delivery, trades conducted during last week's turbulent markets.

"Milan may have different settlement rules than the Eurobond market, but a trade is a trade", said one dealer.

The Italian government bond market has a three-day delivery period, unlike the seven-day period for Eurobonds. Moreover, the Italian system does not allow for bond borrowing, leaving Italian intermediaries highly exposed when foreign clients have been late to deliver paper.

"We had to replace the bonds our clients couldn't deliver, which was both difficult and expensive", noted one trader. "If they're trading in Italian paper, they should know what the rules are."

Many foreign banks plunged into the Italian market last week on account of the appealing spreads that emerged between the cash and futures markets, selling short in the cash market in the hope of buying back later. Italian traders involved were holding urgent talks with foreign clients over ways to resolve the disagreements. A few said they would be pressing for some form of token penalty on clients which failed to deliver bonds in time as well as the reimbursement of expenses.

The International Securities Market Association (ISMA), is seeking to resolve the issue, while the Bank of Italy stated its strong disapproval of late delivery.

Meanwhile, several London-based banks said they accepted demands for additional payments where they had failed to deliver, but would not accept claims that trades had failed.

Disagreement over settlement procedures has been highlighted due to the high number of trades which were not completed due to turbulent market conditions last week, as the market fell several points following the result of the Danish referendum on Maastricht.

French deal meets firm demand despite heavy supply

By Tracy Corrigan

DESPITE heavy supply and a slightly weaker market, a FFr2bn nine-year deal for Caisse Nationale des Autoroutes, the French motorway financing agency, met firm demand.

INTERNATIONAL BONDS

Dealers said that the 9 per cent bonds were considered reasonably priced to yield 35 basis points above the comparable French government bond, with demand concentrated among overseas investors.

Domestic investors remain rather more worried amount the political uncertainty in the wake of Denmark's rejection of the Maastricht treaty last week.

In addition to the CNA deal, Caisse Centrale de Cooperation Economique (CCCE) launched a FFr1bn deal in the domestic market. Elsewhere, the market was dominated by a number of Latin American deals.

Lehman Brothers launched an innovative bond issue backed by the revenue from a Mexican toll-road. MCTTR-TRIPS (Toll Revenue Indexed Participation Securities for the Mexico City – Toluca Toll Road) is the first of a series of deals in the privatisation of Mexico's road infrastructure.

Three more principal roads are expected to be financed in the same way.

The development of Mexico's infrastructure has in the past been financed solely by the Mexican government.

The $207m deal, issued in the form of global depositary units, will be used to repay a government grant.

The bonds, which have an average life of seven-years, will be priced later today to yield 11.15 per cent to 11.40 per cent.

Elsewhere, Merrill Lynch structured a $100m repackaging of Bonex floating rate notes through special purpose vehicle, Argentina Bonex 1989 Trust. The fixed-rate seven-year bonds are priced to yield just over 11 per cent.

Autolatina Brasil launched a $100m five-year deal via ABN Amro, which had not been priced by the end of trading yesterday.

● Société Générale has launched an issue of 5m call warrants on the shares of Northern Foods, the UK food company.

The warrants give the holders the right to buy shares at 615p per share, a premium of 17.3 per cent.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
A.L.P.S.(b)†	208.4	7.75	99.85	1997	-	Citicorp
A.L.P.S.(c)†	104.2	(c)	100	1997	-	Citicorp
A.L.P.S.(d)**	70.4	-	-	-	-	Citicorp
Electrolux(g)†	200	7.75	101.45	1997	1.875/1.675	Lehman Bros.
Argentina Bonex Tst(h)†	100	8.75	93.92	1999	1.5/1	Merrill Lynch
CANADIAN DOLLARS						
Prov.of Newfoundland(a)†	150	9.125	101.075	1998	1.875/1.525	Scotiamcleod
STERLING						
Allied London Props.(i)†	25	10.75	97.916	2025	-	J.Henry Schroder Wagg
D-MARKS						
OKB(e)†	350	8	99.25	2002	2.5/1.5	Commerzbank
FRENCH FRANCS						
Cse.Nat.des Autoroutes(a)†	2bn	9	98.99	2001	0.325	Soc. Gen.
Club Mediterranee(f)§	1bn	6.5	FFr550	1999	-	Credit Lyonnais
NEW ZEALAND DOLLARS						
State Bk of S.Aust.(a)†	50	9	101.60	2002	2.125/1.5	Hambros Bk

**Private placement. §Convertible. #With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Full name of borrower: Aircraft Lease Portfolio Securitisation. Tranche A of $383m deal. Non-callable. c) Tranche B of $383m deal. Coupon pays 80bp over Libor. Non-callable. d) Tranche C of $383m deal. e) Full name of borrower: Oesterreichische Kontrollbank. Callable at 110.35pc on 1194, 1995 and 1996 payment dates. f) From July 8-Oct.31, 1992 investors can convert 25 bonds into 28 shares, thereafter conversion is at the ratio of 1 share for 1 bond. g) Amount increased from $150m. Non-callable. h) Coupon payable semi-annually. Issue amortises in 8 instalments starting 28.12.92. i) Secured Mortgage Debt. Tranche of existing £50m deal. Non-callable.

Paribas rating maintained

By Alice Rawsthorn in Paris

PARIBAS, one of France's leading investment banks, has emerged unscathed from a review by Moody's, the international credit rating agency, which has decided against downgrading the rating on its long-term debt after a six-month review.

Moody's, which put Paribas under surveillance pending a possible downgrade in January, yesterday announced it had decided to maintain the bank's long-term rating at Aa2.

The review coincided with a difficult period for Paribas which recently disclosed it had gone into the red for the first time in its history in 1991, with a net loss of FFr184m – due to a steep increase rise in provisions.

Standard & Poor's, another leading US credit rating agency, announced in April it was downgrading Paribas from AA to AA minus.

However, Moody's decided against a downgrading because it believed "the deterioration of its asset quality and profitability will be limited in time and will not threaten the bank's strong business franchise or its good financial fundamentals".

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on June 11

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	105¼	106½		6.22
ALBERTA PROVINCE 9 3/8 95	400	108½	109	+½	6.39
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94¼	95¼		9.86
COPENHAGEN TEL 8 5/8 96 LFr	400	98¼	99¼		9.15
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS; FLOATING RATE NOTES; SWISS FRANC STRAIGHTS; CONVERTIBLE BONDS; YEN STRAIGHTS: [illegible]

* No information available - previous day's price. † Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	53	6	22
Other Fixed Interest	0	8	9
Commercial, Industrial	148	490	805
Financial & Property	45	242	509
Oil & Gas	7	26	53
Plantations	1	0	8
Mines	15	37	93
Others	20	64	48
Totals	289	873	1,547

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. ‡ Placing price. †† Reintroduction. ¶ Unlisted securities market. ◊ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings June 8
● Last Dealings June 19
● Last Declarations Sept. 3
● For settlement Sept. 14

3-month call rate indications are also shown on this page.

Calls in Hadleigh Inds., Ingham, Oliver Res., Pilkington and Proteus Intl. Puts in Ingham, Polypipe and Hadleigh Inds. Put and call in BP.

LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
BAA (*497)	460	56	79	87	8	14	20
	500	29	45	57	27	37	[illegible]
Brit Aero (*318)	280	49	53	59	3	10	14
	300	34	39	47	8	18	21
	330	16	24	32	22	34	37
Blues (*256)	240	28	26	36	2	8½	14
	260	6	15	24	8½	18	26
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Eurotunnel (*343)	330	28	41	63	10	24	35
	360	10	32	45	23	42	46
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRIT FT-SE INDEX (*2410): [illegible]

FT-SE INDEX (*2410): [illegible]

June 11 Total Contracts 37,442. Calls 19,948 Puts 17,714. FT-SE Index Calls 9,002 Puts 10,714. Euro FT-SE Calls 438 Puts 1,164.

*Underlying security price. † Long dated expiry months. Premiums shown are based on middle prices.

TRADITIONAL OPTION 3-month call rates

	p								
■ INDUSTRIALS		Charter Cons.	37	Ladbroke	18	Sears	6½	■ OILS	
Allied-Lyons	40	Comm Union	34	Legal & Gen	29	SmKl Bchm A	60	Aviva Pet	25
Amstrad	6	Courtaulds	43	Lex Service	22	TI	55	BP	18
Astec (BSR)	3	Eurotunnel	32	Lloyds Bank	32	TSB	11½	Burmah Castrol	49
BAT Inds	58	FKI	6	Lonrho	12	Tesco	22	Conroy Pet	6½
BOC	53	FNFC	7	Lucas Inds	12½	Thorn EMI	63	Gaelic Res	½
BTR	35	Forte	19	Marks Spencer	27	T & N	11½	Premier Cons	2¼
Barclays	29	GKN	33	Midland Bank	30	Unilever	70	Shell	35
Blue Circle	24	Gen Accident	38	NatWest Bank	26	Vickers	15	Tuskar Res	½
Boots	34	GEC	17	P & O Dfd	37	Wellcome	75	■ MINES	
Bowater	60	Glaxo	52	Racal Elect	5½	■ PROPERTY		RTZ	47
Brit Aerospace	26	Grand Met	38	RHM	18	Brit Land	18		
British Steel	7	GRE	19	Rank Org	55	Land Sec.	30		
Brit Telecom	25	Hanson	18	Ratners	3	MEPC	26		
Cadburys	38	ICI	95	Reed Intl	44	Mountleigh	1½		

Pledge to limit price rises below regulator's target

Welsh Water rises to £138m

By Angus Foster

WELSH WATER yesterday became the first of the ten privatised water and sewage companies to pledge to raise prices by less than already allowed by Ofwat, the water regulator, until 1995.

The company said it would limit price increases to 5 per cent above the rate of inflation, unless the situation changed "exceptionally."

The original price cap, set during the 1989 privatisation, was 6.5 per cent above inflation until Ofwat's review in 1995.

All the water companies have agreed to limit price increases this year, often in response to Ofwat pressure, but Welsh Water is the first to extend its pledge.

Mr John Elfed Jones, chairman, said the new cap was a reward for customers.

Ofwat welcomed the move. "It will help consumers' pockets," the regulator said.

But the decision was poorly received on the stock market, where the shares fell 16p to 451p. SG Warburg, the broker, estimated that the price cap would reduce profits by £4m-£5m a year.

Pre-tax profits increased 8 per cent from £128m to £138m in the year to March 31.

Turnover increased 17 per cent to £342m (£293m), mainly due to average price rises of 16.2 per cent. Prices are set to rise a further 9.3 per cent this year.

At the interim stage, Welsh profits rose 7 per cent to £78m (£72.7m)

Net interest income fell from £33.2m to £18.2m due to increased capital investment of £189m. Earnings per share rose to 88.4p (82.2p). The proposed final dividend of 14.27p (13p) raises the total for the year to 21.4p (19.5p).

The company's non-regulated businesses, which were developed aggressively following privatisation, performed poorly. There was a £600,000 trading loss from an environmental services associate, and a £300,000 loss on its disposal.

Hamdden, its hotel and leisure group, had a "disappointing" year.

Dividend income of £3.5m was earned from the 15 per cent stake in South Wales Electricity. The electricity company regards the stake as unwelcome and is refusing to discuss possible joint ventures.

Rewarding customers: Graham Hawker (left) managing director and John Elfed Jones, chairman

● COMMENT

Will Welsh's price cap be enough to pre-empt the regulator, or is it simply further proof of how generously the company's K allowance was set? Certainly the regulator may decide that if Welsh can forego 1.5 per cent price rises voluntarily, it can do without at least that much again without causing any damage. Equally worrying was Welsh's insistence that its diversification policy has been "cautious" when most in the City would describe it as anything but. If Welsh is merely paying lip-service to the regulator, so be it. But if the company has really changed its mind about the non-core business, some of the premium accorded in expectation of higher, non-core growth must now be reviewed. Forecast profits for this year of £144m put the shares on 4.9 times, with a yield of 6.5. But until such questions are answered, and the re-jigged management is up and running, Welsh may continue to see selling pressure.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Barbour Index ......fin	4.85	Oct 5	4.4	7.25	6.6
Bertam ......fin	2.5	July 24	2	2.5	2
Blick ......int	2.6†	Sept 9	3	-	8
British Land ......fin	4.28†	Aug 28	3.87	6.35	5.75
Burndene Invs ......int	3	Sept 1	2	-	8.5
Cater Allen ......fin	20	July 29	19	26	25
Cropper (James) ......fin	2.025	-	1.925	3	2.9
Drummond ......fin	0.75†	Oct 1	0.5	1.5	1
Eldridge Pope § ......int	1.31	Aug 1	0.875	-	2.64
Johnson Matthey ......fin	6.65	Aug 3	6.25	9.65	9.25
Landu ......fin	0.3	Aug 7	0.3	0.3	0.3
Locker (Thomas) ......fin	0.65	July 24	1.1	1	1.6
Osborne & Little ......fin	2.35	July 23	2.35	4.35	4.35
Oxford Instrumts ......fin	2.9	Oct 1	2.8	4.3	4.15
Penna § ......fin	1	July 22	7.5	2	11.25
Pilkington ......fin	3.07	Aug 21	7.57	8	10.5
RCO ......int	4.62	Sept 25	4.2	-	12.6
Rowe Evans ......fin	1	Aug 21	1	1	1
Salvesen (Chris) ......fin	4.1	Aug 7	3.85	7	6.6
Scapa ......fin	3.84	Aug 21	3.76	5.36†	5.26
~~Smith New Court ......fin~~	~~3.5~~	-	~~3~~	~~4.5~~	~~3.5~~
Staveley Inds ......fin	5.9	Aug 11	5.9	8.2†	8.2
Watson & Philip ......int	4.2	Aug 7	4	-	12.8
Welsh Water ......fin	14.27	Oct 1	13	21.4	19.5

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

Oxford Instruments shares tumble on 29% profits fall

By Peggy Hollinger

SHARES in Oxford Instruments underperformed a declining market by tumbling 10 per cent to 229p, as the advanced instrumentation company revealed a sharper-than-expected 29 per cent fall in profits.

The pre-tax return of £8.6m for the year to March 29, struck on sales 5 per cent lower at £103.3m, was about £1m lower than London analysts had expected. Losses estimated at about £3m at three subsidiaries were believed to have been behind the sharp decline.

Mr Peter Williams, chairman and chief executive, held out little hope for an improvement in the current year, saying that new orders received by Oxford were about 17 per cent down to £95m on the previous year.

The dividend is raised from 2.8p to 2.9p for a total of 4.3p (4.15p). Earnings per share fell from 16.8p to 14.7p.

The good news came from Oxford's joint venture with Siemens in magnetic body scanners, which increased its profits contribution by 44 per cent to £5.1m. This was due to an increased share of a market which was largely static, Mr Williams said.

Profits were also helped by the £1.2m tax benefit on the release of provisions relating to asset disposals in 1991. The tax charge fell from £3.99m to £1.45m.

Ratners sells Watches of Switzerland for £23.2m

By John Thornhill

RATNERS GROUP, the struggling jewellery business, has sold its Watches of Switzerland chain for £23.2m cash, helping to ease its strained working capital position.

The buyer is Asprey, the luxury goods group centred on its flagship jewellery store in London's Bond Street but which also includes Garrard, the Crown Jewellers, and Mappin & Webb.

Watches of Switzerland, which operated as an upmarket stand-alone business within the Ratners portfolio, has experienced tough trading and saw pre-tax profits fall from £2.65m to £887,000 last year on sales of £21.7m. At February 1, it had net assets of £18.2m.

The chain has 25 stores throughout the UK and will help Asprey's strategic aim of broadening its geographic coverage. It was brought into Ratners with the acquisition of the H Samuel business in 1986.

Mr Jim McAdam, Ratners chairman, said he had achieved a "fair price" for the chain - although it is believed to have been far less than the company was originally seeking.

Mr Naim Attallah, Asprey deputy chairman, said he thought it was a "marvellous" deal. "I think the Watches of Switzerland name is just magical," he said.

Ratners will retain its interest in Watches of Switzerland's headquarters in Aylesbury and may be able to benefit from recovery of past years' corporation tax taking the value of the deal to £24m.

Asprey is financing the acquisition by means of a seven year term loan fully underwritten by Lloyds Bank in order to retain short-term financial flexibility.

Bone china lift for John Tams

The recession continued to hit John Tams Group, the USM-traded earthenware and bone china manufacturer. Over the 12 months to end-March, profits slipped from £2.88m to £1.64m on turnover down just 3 per cent at £19.8m.

Volumes were broadly maintained but margins were sacrificed, said Mr Gerald Tams, chairman. Nevertheless, the outcome masked an improved second-half performance, particularly in bone china.

The company acquired Royal Grafton just before the year-end, a move that "opens new markets for us" Mr Tams said. It should add sales of some £3m in the current year.

Earnings per share fell to 4.92p (8.34p); a final dividend of 2.41p holds the total at 4p.

Smith New Court doubles on strong equity turnover

By Simon London

BUOYANT TURNOVER in the UK equity market allowed Smith New Court, one of London's leading marketmakers, to more than double profits last year.

Pre-tax profits for the year to April 24 amounted to £18.4m (£7.6m). Earnings per share advanced sharply to 23.4p (4.1p) basic and 16.6p (8.8p) fully diluted. A proposed final dividend of 3.5p brings the total for the year to 4.5p (3.5p).

Mr Michael Marks, chief executive, said the distribution reflected the policy of paying "a gently rising dividend" against the background of a cyclical equity market.

After dividend payments of £5.4m (£5.1m), the group transferred £5.7m (£2.7m) to reserves. Total reserves now stand at £11m.

The return on equity was about 20 per cent last year, against an average of 10 per cent for Stock Exchange member firms. Analysts estimated that Smith takes about 20 per cent of UK equity market-making and 9 per cent of agency broking business.

In 1991, return on equity was only 8 per cent, depressed by the low level of equity market turnover around the time of the Gulf war. In 1990 the group returned 13 per cent on equity.

An exceptional charge of £1.9m was taken to cover the cost of closing the equity broking business in Australia which had operated for five years. The group has no immediate plans to open new offices or close existing operations.

Mr Marks said: "A significant European presence is clearly needed in the longer term and the client base will drive us towards this. Although I do not rule out an acquisition in this area, we are more likely to grow organically."

The results excluded £10.7m paid by Citibank in March following a US court ruling in favour of Smith over its purchase of shares in Ferranti International Signal in 1989. Citibank has appealed against the award.

Mr Marks said Smith intended to "vigorously defend the appeal", although the process could take over a year. If a favourable ruling on the appeal is achieved, the £10.7m plus interest will be taken into the profit and loss account.

Scapa rises despite setbacks in UK and North America

By Angus Foster

SCAPA GROUP, the manufacturer of specialist products for the printing and paper industries, yesterday announced a 5.6 per cent increase in pre-tax profits, from £42.3m to £44.7m, in the year to March 31.

Mr David Dunn, finance director, said the increase came despite recession in its main markets of the UK and North America. But Scapa was helped by favourable exchange rate movements and contributions from new acquisitions.

Turnover increased 3.2 per cent to £300.2m (£290.9). Sales and operating profits held firm in North America. But in the UK, where the company is more exposed to the recession-hit automotive and chemical industries, operating profits fell to £9.39m (£14.6m).

At the interim stage, Scapa increased pre-tax profits 2.5 per cent to £20.3m (£19.8m).

Net interest costs were £1.8m, down from £6.1m, helped by the proceeds of last year's £55.6m rights issue. Net borrowings fell to £44.3m (£57m) and gearing dropped to 22 per cent (31 per cent).

There was an extraordinary loss of £112,000 (profit £10.5m), mainly due to business closures.

Earnings per share fell to 13.2p (15.2p), reflecting the higher number of shares in issue after the rights issue.

The company is recommending a final dividend of 3.84p (3.65p) to make a total of 5.36p (5.1p), a 6 per cent increase.

Mr Dunn said turnover in Europe should grow strongly this year following the acquisition of Scandiafelt in Sweden, which was only completed in January. In a full year, this company should add about £35m to sales, he said.

Morland attacks Greene King record

By Richard Gourlay

MORLAND, the Thames Valley-based brewer fighting a hostile £104m bid, yesterday attacked predator Greene King's investment record and marketing strategy.

Sir Humphrey Prideaux, Morland chairman, also promised a forecast of pre-tax profits, earnings per share and dividends for the year to September 1992.

Morland's advisers said the offer, which Greene King, the east Anglia-based brewer, has made final, undervalued the company. "A business of Morland's quality deserves a much higher price than is on the table. They have closed the door at far too low a level."

Morland said that Greene King had lost large amounts of money investing in leisure activities.

Gascoigne sale nets £5.5m for Spurs

By Jane Fuller

TOTTENHAM HOTSPUR, the north London football club controlled by Mr Alan Sugar and Mr Terry Venables, has received nearly £6m after completing the sale of Paul Gascoigne to Lazio of Italy.

After paying about £300,000 to Newcastle United, Gascoigne's former club, and other expenses, Tottenham will gain £5.5m.

This will give it net cash for the first time for some years. Debt peaked at about £15m and the previous biggest contribution to its reduction was a £7m rights issue announced in December and underwritten by Mr Sugar, the chairman, who also heads Amstrad, the consumer electronics group.

Mr Colin Sandy, finance director, said the net cash achievement followed expenditure of about £2.5m on players. However, a further £2m remained to be paid in stages.

Apart from the Gascoigne sale, Tottenham's 1992-93 profits will benefit from a new £1.9m three-year sponsorship contract with Holsten, the German lager company. This roughly doubles the previous contract figure.

The Premier League's proposed television deal with BSkyB, the satellite broadcaster, should bring in £1.5m, much more than the previous figure for Football League matches. Amstrad distributes satellite dishes and Mr Sugar has been a leading advocate of the BSkyB deal.

A further fillip will be provided by a "duel" between Tottenham and Lazio. Tottenham said yesterday that Mr Venables, chief executive, was negotiating the television rights for the home and away games. TV fees and gate money could total £500,000.

Tottenham returned to profit in the six months to November 30 with £810,000 pre-tax in a period that included most of the close season. Results for the year to May 31 are expected to be announced in September.

COMPANY NEWS: UK

Rapid growth in EC catalytic converter market helps maintain profits

Johnson Matthey static at £66m

By Richard Gourlay

JOHNSON MATTHEY, the precious metals company, yesterday surprised the market with a small increase in profits as the European catalytic converter market began to grow rapidly.

The company's rationalisation programme, which stripped £13m of costs out last year, also helped pre-tax profits to rise from £66.1m to £66.3m on sales marginally higher at £1.73bn.

Earnings per share rose 0.1p to 24p, but the company said that because of the strong balance sheet and good prospects, it would pay a final dividend of 6.65p, giving a total of 9.65p, up 4.3 per cent on the year.

Mr Richard Wakeling, chief executive, said that recession would have hit the company much harder without the rationalisation programme, which was fully provided for and had almost finished after two years.

Despite poor auto sales in the US and Europe, the catalytic systems division increased operating profits by 28 per cent to £22.5m and is now the largest contributor in the group.

Demand from European car makers in the last quarter was particularly strong in the run up to the 1993 European Community emissions legislation that will affect all cars.

The European market, where only 50 per cent of new cars are currently fitted with catalytic converters, doubled last year and would almost double again during Johnson Matthey's current financial year, Mr Wakeling said.

Furthermore, Johnson Matthey had increased its market share to about 35 per cent.

Profits in the colour and print division rose 41 per cent to £11.1m, as benefits of a rationalisation programme fed through rapidly. But precious metals fell 23 per cent, as the prices of platinum and rhodium fell 13 per cent and 24 per cent respectively during the year.

Likewise profits in the materials technology division fell 11 per cent to £17.7m, with much of that profit coming from the biomedical area.

The company continued to reduce the amount of precious metal work in progress,

Richard Wakeling: seeing results of rationalisation

thereby releasing an exceptional gain of £6.4m, more than covering the £5m exceptional cost of redundancies and rationalisation.

It also took a £4.4m extraordinary profit on the sale of 25 per cent of Tanaka Matthey in Japan and a £4.8m extraordinary profit as a tax credit on payments it made to Johnson Matthey Bankers seven years ago.

● COMMENT

Finally Johnson Matthey is beginning to mine the rich seam deriving from European Community vehicle emission controls. The sudden increase in European demand for catalytic converters combines with JM's increasing market share to suggest that growth and cash flow from this division could be exciting over the next couple of years. Such rosy prospects are less apparent elsewhere in the group. Colour and print, though more efficient, is relatively mature and unlikely to change the group's direction; precious metals continue to dance like a puppet in tune with the platinum price; and with the exception of biomedical products, the materials technology division is still in need of management attention. Catalytic converters will, therefore, do the bulk of the work for shareholders and should help produce pre-tax profits of £72m this year, or 26p of earnings, and a prospective multiple at a justifiable 16.

Cask ale boost as Eldridge Pope makes £71,000

By Graham Deller

ELDRIDGE POPE, the Dorset-based brewer and wine shipper, yesterday took another step towards full recovery with a return to the black at the interim stage.

This USM-traded group, which incurred substantial losses on its hotel and computing activities in 1990, reported pre-tax profits of £71,000 for the half-year to March 31, against losses last time of £118,000 which took in a £320,000 interest provision against the Realstream computing business.

The outcome was struck after an exceptional £77,000 (£130,000), being its half share of losses on the Highcliff Hotel, Bournemouth, which were partly offset by property sales surplus, and after an 18 per cent reduction in interest charges.

Turnover rose to £20.2m (£18.2m) leading to a 20 per cent advance to £1.24m in operating profits.

Mr Christopher Pope, chairman, said that the group's brands had performed well with cask ales well to the fore with a 14 per cent sales upturn, mainly from Hardy Country Bitter, reflecting wider free trade and wholesale distribution. Wine sales advanced by 6 per cent in a difficult market, he said.

After a nil tax charge, reflecting reliefs and allowances for the period under review and previous years, earnings per 50p share emerged at 0.34p (losses of 0.56p).

The interim dividend is raised 50 per cent to 1.31p (0.875p).

Mr Pope said the board intended to pay a gradually increasing proportion of the total distribution at the final stage to reflect the seasonal flow of profits and cash.

National Grid meets forecasts with 32% rise

By Neil Buckley

NATIONAL GRID Holding, the transmission company owned jointly by the English and Welsh regional electricity companies, yesterday fulfilled expectations to report a 32 per cent increase in profits.

Current cost pre-tax profits for the year to end-March rose from £237.6m to £314.5m on turnover which increased 15 per cent to £1.32bn.

The 12 regional electricity companies each own between 5.4 and 12.5 per cent of National Grid Holding, which owns the National Grid Company. They will receive total dividends of £117m, an increase of 12 per cent.

Mr David Jefferies, chairman, said revenues were boosted by the recovery of a £47.6m shortfall in allocated transmission revenue in the previous year in accordance with the price control formula operated by Offer, the industry regulator.

However, operating costs had risen as the result of higher depreciation charges, following the decision to replace some fixed assets before they had completed their technical lives, and additional provisions arising from reorganisation and restructuring of the business.

Capital expenditure increased by almost £90m to £363.1m, and was expected to remain at a similar level over the next few years.

Net interest charges were £60.9m (£79m). Gearing fell from 63 per cent to 42 per cent.

Mr Jefferies said it was "both significant and pleasing" that non-regulated businesses, including generation, accounted for almost 20 per cent of profits, up from 13 per cent the previous year.

Some savings had been achieved by a net reduction of 634 in the workforce, to below 5,900. Staffing in the core transmission business was likely to fall by another 10 per cent over the next two or three years.

Strong northern performance restricts Watson & Philip fall

By Peggy Hollinger

WATSON & Philip, the food wholesale and retail group which last year took over Amalgamated Foods, yesterday announced a 1 per cent decline in interim pre-tax profits, from £4.17m to £4.14m, in the 27 weeks to May 1.

The result was buoyed by a strong performance from Scotland and the north of England. "Between the north/south there has been a definite divide," said Mr Ian Macpherson, chairman. "Every one of the northern businesses increased profits and turnover, while I cannot say that about every one of the southern businesses."

Mr Macpherson added, however, that the group was beginning to see signs of an upturn – albeit patchy – in the southern businesses.

The interim dividend is raised to 4.2p (4p). Earnings per share, depressed by the 17.8m new shares following last year's rights issue and AF purchase, fell from 9.3p to 8.2p.

Turnover rose by 9 per cent to £240.4m. Mr Macpherson said retail margins had come under pressure, while the average spend in the group's 100 local convenience stores had fallen from £2.60 to £2.46. Customers were cutting back on higher margin items, he added. "People continue to buy the same amount of cigarettes, but Johnny isn't getting his crisps any more," he stated.

The growing incidence of theft, which had risen as a proportion from 1 per cent of retail sales to 1.5 per cent, sliced an estimated £465,000 from profits.

The trading contribution from retail services and stores fell from £3.1m to £2.8m.

Cash and carry increased profits by £342,000 to £1.43m, following the closure of two "unproductive" depots. Mr Macpherson warned, however, that the improvement was not likely to be repeated in the second half, with many customers affected by recession.

Margins in the catering business had actually strengthened because of a greater proportion of W&P's own brand sales. However, profits tumbled from £266,000 to £53,000, after the £600,000 costs of expanding this division.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims- Alvis, Control Techniques.
Finals- Cohen (A), Viech.

FUTURE DATES

Interims-

Airtours	June 23
Alliance Trust	Aug. 17
Allied Textile	July 28
[illegible] Inv Trust	June 26
Dewhurst	July 2
Evode	July 8
[illegible]	June 25
[illegible]	June 23
Lookers	June 18
RMC	Sep. 17
River Plate & Gen Inv	June 17
Royal Insurance	Aug. 13
Shoprite	June 23
Southern Business	June 24

Finals-

AAH	June 24
Ashtead	July 28
Berkeley	June 25
Campbell & Armstrong	June 22
Davenport Knitwear	June 15
Learmonth & Burchett	June 18
Norbain Electronics	July 16
PHH	Aug. 24
Salehand	June 16
Scottish & Newcastle	July 6
Second Alliance Trust	Sep. 14
Shelton (Martin)	June 16
Sytone	June 26
Wyko	July 15

Penna cuts dividend

PENNA, the holding company for the Sanders & Sidney outplacement consultancy, moved back into operating surplus in the second half but showed a pre-tax loss for the year after an exceptional charge.

The final dividend is restricted to 1p, making 2p for the year to March 31, against 11.25p. Losses per share were 1.6p (earnings 28.7p).

The exceptional charge of £306,000 related to the departure of Mr Stephen Rowlinson, former chairman and chief executive. There was a loss of £84,000 for the year, against a profit of £2.08m.

At the halfway stage the deficit was £251,000.

Banks give NHL approval to restructure £540m of debt

By Sara Webb

NATIONAL HOME Loans, the mortgage lender and financial services group which recently came close to collapse, has won approval from its banks for the restructuring of loans amounting to £540m.

The group is also preparing to renegotiate the terms of its international bond issues with bond holders.

NHL's bank lenders agreed to give the company a 90-day waiver on its loans last February after it emerged that the troubled mortgage lender was in danger of breaching a "material adverse change" covenant on its loans.

The 59 banks involved have now agreed to extend the maturity of NHL's debt and turn the four existing loans into one large facility, lead managed by JP Morgan.

"The pricing on the loan will have increased somewhat" said Mr Jonathan Perry, chairman of NHL, but declined to provide further details of the margins over the London interbank offered rate, or the fees. The restructured debt will mature on December 31 1995.

The new facility replaces four separate loans: a £179m loan which fell due earlier this month; a £231m loan which matures in February 1993; a $90m loan which matures in June 1993; and a $135m letter of credit which matures next month.

NHL's difficulties stem from the weakness in the housing market and from the problems of National Mortgage Bank, a sister company.

Last July, a group of 10 banks agreed to put up a £300m cash life-boat for NHL after local authorities began pulling deposits out of National Mortgage Bank in the wake of the BCCI collapse.

NEWS DIGEST

Drummond turns in £1.14m

DRUMMOND Group finished the year to March 31 with a pre-tax profit of £1.14m, in line with the rights issue forecast made in January.

In the previous year there was a loss of £379,000 after exceptional charges of £882,000.

Mr Stefan Simmonds, chairman, said despite a further year of recession considerable progress was made in the development of the group.

It was now a broadly based inter-related fabric manufacturing group, operating through five divisions.

All divisions contributed to a near doubling of the operating profit to £2.03m, and there was continued improvement in the second half performance. An increase in sales of 37 per cent to £48.4m primarily stemmed from acquisitions made over the last 18 months.

Earnings per share came to 4.59p (losses 11.17p). The final dividend is 0.75p for a total of 1.5p, against 1p previously and 2.35p in 1990-91.

Phoenix Timber losses fall to £1.96m

Phoenix Timber Group reported lower pre-tax losses for the year to March 31 of £1.96m, against £2.42m.

Turnover fell from £55.6m to £23.1m reflecting the withdrawal from its former core activity of timber importing.

Costs relating to this decision were taken as an extraordinary charge of £3.56m (£2.8m). Losses per share came to 13.6p (14p) and the final dividend is again passed.

The company said trading conditions for ongoing activities – property, building supplies manufacture and property maintenance products – remained extremely difficult.

Hawtin improves 5% to £726,000

Pre-tax profits at Hawtin, the Cardiff-based leisure and fitness group which also has interests in textiles and property, showed a 5 per cent advance to £726,000 in the six months to March 31.

This compares with a restated £692,000 last time and was struck on turnover up by £869,000 to £13.9m. Earnings per share came out at 0.69p (0.66p).

Mr Phillip Dovey, managing director, said the result had been achieved in the face of extreme trading conditions with the leisure and fitness division continuing to generate the largest part of the group's profits.

ICD progresses to £1.13m

International Communications & Data reported continuing progress in its core activity in the year to February 29, which helped raise pre-tax profits by 37 per cent from £830,061 to £1.13m.

ICD's main business provides information on British consumers, principally to the marketing industry. It has extended its services into the provision of mainframe computing via the acquisition of Lindor. And following the separate purchase of Compass a company has been created to specialise in information technology.

Turnover rose 16 per cent to £9.59m (£8.23m). Earnings on capital enlarged by acquisitions came to 2.12p (2.28p).

Directors said that provided the company continued to perform well they intended to begin to pay dividends in 1992-93.

Progress across the board at RCO

RCO Holdings, the cleaning and business services group, is lifting its interim dividend from 4.2p to 4.62p as earnings per share for the half year ended March 27 moved ahead from 12.48p to 13.87p.

Turnover rose to £22.9m (£21m) and the pre-tax profit to £2.27m (£2.06m).

The directors said progress continued to be made in most areas and they expected the year-end figures to exceed 1990-91, when pre-tax profit reached £4.39m.

Thos Locker picks up to £306,000

Thomas Locker (Holdings), the general engineering group, recovered in the second half but still showed a substantial reduction in profits for the year to March 31.

A recommended final dividend of 0.65p makes 1p, compared with 1.6p. Earnings per share were 0.32p (2.75p).

After a loss of £217,000 at midterm, the year's profit worked through at £306,000 on turnover of £36m, against £1.64m from sales of £40.5m.

Wagon Industrial in £1.19m acquisitions

Wagon Industrial, the materials handling and automotive group, has completed two acquisitions with a maximum combined payment of £1.19m.

Barrett Storage Systems is being purchased from Henry Barrett Group for an initial £570,000 cash plus further payment up to £275,000 conditional on turnover targets. Barrett Storage designs and supplies storage systems, mainly for the retail market.

The other acquisition is Weldem, which is involved in metal fabrication including the manufacture of storage tanks for petrol forecourts. Consideration is £350,000 cash.

In April Wagon purchased Westward Holdings for £1.1m cash, plus settlement of loans amounting to £265,000.

Fresh progress at Barbour Index

Despite continuing difficult conditions in the construction industry, Barbour Index, the specialist information supplier, reported growth in annual turnover, profits and earnings.

Pre-tax profits for the 12 months to April 30 amounted to £3.7m (£3.42m), from turnover of £11.9m (£10.9m).

The problems of the construction industry – the company's main market – meant that microfile services to architects and planners were particularly hard hit, although this had been more than offset by new services launched for civil and structural engineers.

The relatively new health and safety microfiles showed substantial income and profit growth with a renewal rate exceeding 90 per cent.

Three new services are due to be launched this year.

A proposed final dividend of 4.85p brings the total to 7.25p (6.6p), covered twice by earnings of 14.8p (13.8p) per share.

Burndene pushes ahead by 41%

Higher sales, profits, earnings and dividend are announced by Burndene Investments, the caravan manufacturer and park operator and hosiery maker, for the six months to March 28.

From sales of £26.8m (£23.2m), pre-tax profit advanced 41 per cent to £2.07m (£1.47m) after a sharply reduced net interest charge. Earnings per share came to 14.3p (9.84p) and the interim dividend is up 50 per cent to 3p.

Caravan manufacturing contributed £1.41m (£955,000) to profit, reflecting increased share of the caravan holiday home market and improved efficiency.

Pretty Legs Hosiery produced £530,000 (£392,000). Sales in the third quarter will be 15 per cent lower than last year because the warm weather.

COMPANY NEWS: UK

Salvesen pulls out of German distribution

By Jane Fuller

CHRISTIAN Salvesen, the distribution, manufacturing and specialist hire group, yesterday reported a small increase to £67.2m in annual pre-tax profit and announced the closure of most of its German distribution businesses.

That operation lost nearly £1m in the year to March 31, compared with a £1.4m profit previously.

An extraordinary charge of £18.9m was included for closing warehouses and redundancies to end a contract with Langnese Iglo, a frozen food subsidiary of Unilever. This followed a £13m write-down of the assets in the previous year's accounts.

Mr Chris Masters, *chief executive*, said the German distribution market was the most unsophisticated in Europe. It was *highly fragmented* and lacked purpose-built distribution centres.

The £67.2m pre-tax profit figure, compared with £66.6m in 1990-91, followed multiplied interest costs of £6.5m (£1.2m).

Net debt rose to £80.8m (£62.5m), gearing of 35 per cent. after £100m of capital spending and acquisitions – this would fall below £70m this year, Mr Masters said.

Distribution, which accounted for more than half the group's £484.2m (£422.7m) turnover, increased trading profit by 20 per cent to £30.9m (£25.7m).

The German distribution operation was separated out as a discontinued activity.

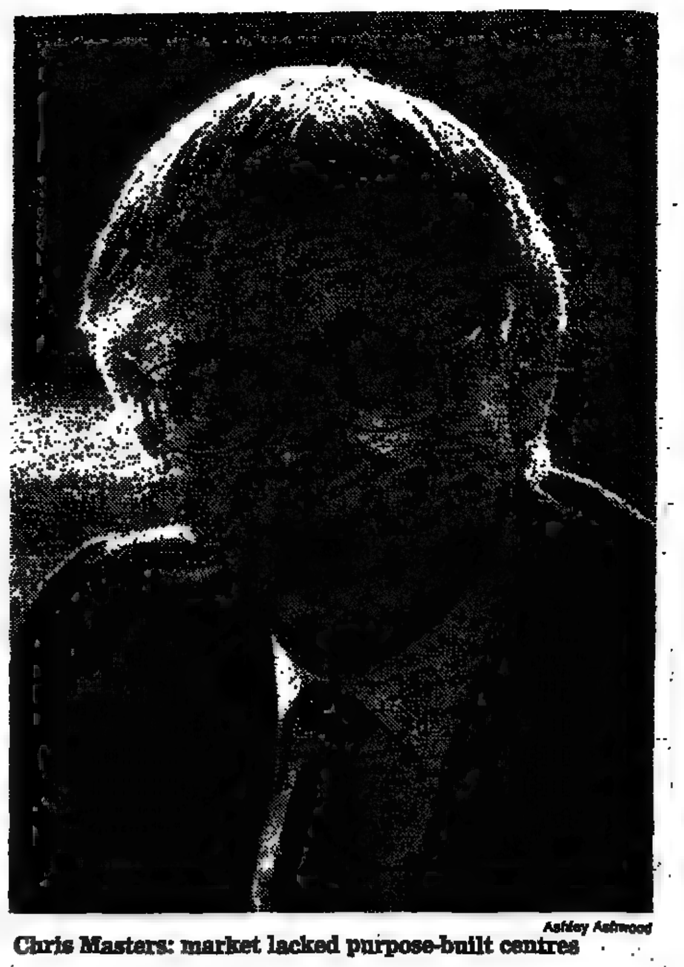
Specialist hire, notably the Aggreko generator and air conditioning rental business, also grew strongly to £27m (£22.3m) trading profit on sales of £111.7m (£82.4m).

In manufacturing, a small *improvement in food* processing, offset by a decline at Salvesen brick left trading profit £1.5m lower at £16.6m.

Earnings *per share* rose to 17p (16.6p). A final dividend of 4.1p raises the total to 7p (6.6p).

COMMENT

Although the German exit has proved expensive – albeit mostly below the line, Salvesen gained credit for grasping what is hopefully the last of its big nettles. None of the businesses that remains should get any worse – not even bricks which has been a good damage limitation exercise – and some should improve. Aggreko, in particular, has made the analysts smile because of the entrepreneurial way the business has been taken from a UK/Netherlands base to the US and Pacific rim. Distribution has great defensive qualities and the French problem seems temporary. Lower capital spending should reduce the flattening effect of interest costs. The one plus unlikely to be repeated is a £1m exchange rate gain. A *pre-tax profit fore*cast of £73m gives a prospective multiple of 15 to 16. Its switch from food to the higher-*rated business services sector* may generate some interest, although the near doubling of the share price since August *1990 leaves little scope for* improvement.



Ashley Ashwood

Chris Masters: market lacked purpose-built centres

Gilt-edged decision boosts Cater Allen

CATER ALLEN Holdings, the discount house and financial services group, reported profits up from £7.92m to £8.13m after *tax and rebate in the year to* April 30.

The result was helped by the elimination of losses in gilt-edged securities which the company pulled out of at the end of the previous period after losses of £2.7m.

At the end of the year capital and disclosed reserves increased to £70.6m.

The discount house maintained profitable trading, particularly in certificates of deposit, the Jersey and stock *lending businesses had again* done well while Barclays Cater Allen, the new joint venture specialising in international *stock lending, came into profit* before the year end.

However, the businesses at Lloyd's turned in a loss of £473,000, against profits of £1.92m, when a flat result had been expected. There were also losses in financial futures broking amounting to £88,000, against profits of £65,000.

Cater did not expect an improvement at Lloyd's this year. In financial broking the company expected to return to profit this year.

The proposed final dividend is raised to 20p making a total of 26p (25p).

Acquisitions provide impetus for 33% improvement at Blick

By Peter Pearse

BLICK continued to buck recessionary trends in the six months to March 31, lifting pre-tax profits by 33 per cent from £2.76m to £3.67m on turnover ahead 37 per cent to *£14.7m.*

Mr Ian Scott-Gall, managing director of this clocking-in equipment and radio pager *supply company, said that* most of the profits advance was acquisition-led.

In May 1991 Blick added communal television and radio distribution and controlled entry security systems to its businesses with the £8.26m acquisition of Telefusion from Granada. And on April 29, it bought a portfolio of rental contracts from GPT, which is jointly owned by GEC and Siemens, for £3.8m cash.

Improved gross margins and tight cost controls had helped profits, said Mr Alan Elliot, *chairman, though lower inter*est rates reduced interest receivable to £242,000 (£358,000).

Mr Scott-Gall said that the group was able to weather the economic downturn because even though little new business had been won or few equipment sales made, the maintainance and service side of the business had kicked in.

Telefusion had helped customer base income grow by 72 per cent and at the period-end gross rentals receivable under contract had risen 30 per cent to £67.5m (£51.9m).

Cash balances at March 31 – after the January/February invoicing period – were up *at* £9.9m (£7.4m), boosted by the £3.7m share placing in March.

Mr Scott-Gall described *Blick's cash as* part war chest – "We're putting our buying boots on again" – part cushion, part reinvestment capital and part working capital.

The interim dividend is lifted 15 per cent to 3p, payable from earnings of 11.52p (9.49p) per share.

Osborne slips to £855,000

By Gemma Vaughan

OSBORNE & LITTLE, the wallpaper and furnishing fabrics group, reported pre-tax profits down by £37,000 to £855,000 in the year to March 31.

Sir Peter Osborne, chairman, said turnover was slightly up at £19.1m (£18.6m), with an increase in the second six months eliminating the decrease in the first half.

However, the net operating *profit margin had been affected* by higher distribution costs and an increase in royalties payable due to the continuing growth in sales of the Nina *Campbell brand.*

Interest charges fell by £135,000 to £525,000. Gearing was reduced from 153 per cent to 118 per cent.

Sir Peter said costs continued to be rigorously monitored and this had resulted in lower stock levels.

Sir Peter said turnover for the first two months of the current year was level with last year, and the group could only wait patiently for signs of recovery.

Earnings per share came out at 7.83p (7.9p). The final dividend is maintained at 2.35p for a same-again total of 4.35p.

James Cropper falls to £1.06m

In a year of reorganisation, pre-tax profits of James Cropper, the Cumbria-based papermaking company, declined by £416,000.

After an exceptional charge of £131,000 relating to reorganisation costs, pre-tax profits for the 12 months to end-March were £1.06m – down from £1.5m. Turnover grew from £39.4m to £40.3m.

The financing costs of the new paper machine installed last year and an increase in *bad debts led to the decline.*

Earnings fell to 8.6p (15p) and a final dividend of 2.025p raises the total to 3p (2.9p).

Bertam to purchase three more plantations

BERTAM Holdings has announced further acquisitions in line with its policy of *investing in plantation and* development land in Malaysia, with a view to participation in further schemes with Malaysian partners.

It has conditionally agreed to buy Sungkai Estates and Rembia Rubber from Rowe Evans Investments for £4.37m cash, and Lendu Rubber Estates from Lendu Holdings for some £1.37m cash.

Rowe Evans will use the proceeds to reduce borrowings and focus operations and expansion in Indonesia, while Lendu intends to focus on agricultural projects in Australia, particularly in relation to the 81 per cent investment in *Gubbagunyah, southern Queensland.*

As Rowe Evans holds 33.65 per cent of Bertam, shareholder approval will be needed; also the three acquisitions are conditional upon completion of the disposal of 2,000 acres of Bertam to its joint venture company, expected by the end of October.

For the time being all three estates will continue to be operated as plantations. But Bertam *intends* to exploit the industrial development potential of Rembia and Lendu, subject to relevant local regulatory consents.

All three companies also announced results for 1991. Helped chiefly by the firmer palm oil market, Bertam lifted pre-tax profit to £1m (£810,000) on turnover of £1.24m (£1.11m). *Earnings per* share were 3.09p (2.62p) and the dividend is 2.5p (2p).

Also resulting mainly from *the oil palm market*, Rowe Evans produced sales of £3.93m (£3.49m) and pre-tax profit of £1.48m (£1.35m). *Earnings per share slipped to* 1.85p (2.05p) but the dividend is again 1p.

There were recovery signs in wool and wheat markets for Lendu. Its turnover rose to £525,000 (£408,000) and its pre-tax deficit was cut to £65,000 (£138,000). Losses per share came to 0.39p (1.08p) and the dividend is held at 0.3p.

Falling glass prices hit Pilkington

By Maggie Urry

PILKINGTON, the glass-maker, is still struggling with glass prices 25 per cent lower than two years ago in *Europe* and the US and 38 per cent in Australia.

Even after slashing the second interim dividend to 3.07p (7.57p), the group is taking £20.1m from reserves (£62.6m in the previous year) to pay the 6p (10.5p) total. The near halving of pre-tax profits, from £151.6m to £77m, was at the bottom end of analysts' expectations.

The group took £23.1m exceptional redundancy and reorganisation costs in the year and suffered another £13.9m charge when a US customer went bankrupt.

Group turnover was barely *lower at £2.6bn, and operating* profits fell 12 per cent to £183.5m. These included a £15.2m (£9m) profit on the sale of investments and £41.2m of profits from businesses since sold or closed.

Net interest charges rose from £56.9m to £68.5m, giving interest cover of 2.7 times. Mr Andrew Robb, finance director, said he was not happy with this cover.

The tax rate was high at 54.5 per cent, mainly because of UK advance corporation tax. Minorities took £25.5m (£22.9m) and there were extraordinary profits, largely on the sale of businesses, of £17.7m (costs £48.5m). *Earnings per share* before exceptional items were 5.5p (8.6p) and after these costs were 1.2p (8.6p).

The group would have suffered a cash outflow but for £229.5m raised from the sale of businesses. Net debt fell from £703m to £659m over the year, 56 per cent (59 per cent) of shareholders' funds.

European glass operating profits fell from £127.8m to £67.4m, with the UK and Nordic areas particularly badly hit, although German profits were also lower. In North America profits improved slightly to £10.8m (£9m) thanks to cost cuts. South American *profits rose offsetting falls in* South Africa and Australia, leaving profits for the rest of the world at £60.4m (£60.8m).

Poor flat glass profits were to some extent made up by improvements elsewhere. The insulation business returned to profit making £1m (loss £4.6m). Visioncare, the US spectacle and contact lens business made £21.5m (£9.6m). Other businesses lost £1.4m (£10.3m) and licensing income fell from £26.1m to £22.6m.

RECRUITMENT

JOBS: Smaller companies' executive-pay league

Spanish ensconced on high

WHAT has 10 years of socialist government in Spain done to the country's top managers? Ensconced them on the heights of the European executive-pay league, that's what. Their prominence now stands confirmed by four successive salary studies from two different sources.

The latest, just published, is by the European Remuneration Network, a consortium of nine consultancies and institutes, each doing separate pay surveys. Their combined exercise for 1992 covers 3,309 companies employing nearly 40,000 executives of various ranks in 11 countries. But anybody wanting data on all of them will need the full report (priced at £525 including postage and an up-date in the winter), obtainable from the network's British member: P-E International, Park House, Wick Rd, Egham, Surrey TW20 0HW; telephone 0784 434411, fax 0784 437828.

My extracts, in the table to the right, are limited to eight of the countries, and to companies in two particular size-bands as measured by total numbers of employees. The first are those with up to 100 on the payroll, the second are those with between 250 and 1,000. While the separate surveys were made at different dates, their findings have all been up-dated in line with higher-level pay movements to the start of this month. I have converted the other currencies to sterling at the London market's closing rates on June 4.

For each country and size-band, the table begins with managing directors. Then come heads of marketing-and-sales and of finance, together with heads of personnel except in the small companies of the United Kingdom, Belgium and the Netherlands, where not enough of same were employed to furnish statistically respectable data.

In every case the table shows both basic salary and total pay received in money including bonuses and suchlike. The lower quartile figures in light type relate to the executive who would be a quarter of the way up from the foot of a ranking of all in the same country and type of job. The upper quartiles, again in light type, refer to the one a quarter way down from the top.

The median figures in bold type give not only the salary and total cash pay of the executive mid-way in the ranking, but also a rough indication of buying power. It is calculated by taking the total pay, deducting the country's standard tax and so on for someone married with two dependent children, then adjusting the result in line with P-E's index of international differences in the costs of executive life. But please be warned that – although I've ranked the countries on the buying power of the MD of the bigger-sized companies – such living-cost comparisons are extremely sketchy. For one thing, they take no account of housing. For another, indices produced by different organisations can vary widely.

Even on straightforward exchange-rate conversions, however, the Spanish managing directors of the 250-1,000 employee companies tower above all the rest (and in the up-to-100 bracket come second only to their counterparts in France). Spain's MDs also have a bigger differential over their subordinate departmental heads than is generally the case elsewhere.

As for the UK, it appears to be exceptional along with Denmark in the valuation it places on heads of sales and marketing by comparison with heads of finance. In both countries those two departmental bosses have much the same median total pay. But everywhere else the sales and marketing head is several percentage points better off.

Michael Dixon

Organisations employing up to 100 people:

Country: Position	Lower quartile Basic salary £	Lower quartile Total cash pay £	Median Basic salary £	Median Total cash pay £	Median Buying power £	Upper quartile Basic salary £	Upper quartile Total cash pay £
Spain: M.D.	57,240	62,131	72,322	80,328	47,109	91,995	101,639
Sales & mktg head	36,339	40,984	43,634	48,381	32,158	52,459	57,896
Finance head	31,557	34,426	39,891	43,169	29,402	48,634	52,459
Personnel head	28,552	31,011	35,519	37,432	26,167	44,809	49,202
France: M.D.	55,249	65,748	78,216	90,702	57,913	84,659	100,753
Sales & mktg head	38,861	45,660	58,016	68,454	47,013	61,180	72,197
Finance head	29,217	33,011	41,892	47,345	33,926	51,007	57,640
Personnel head	27,691	31,567	40,560	46,246	33,280	46,500	53,011
Germany: M.D.	56,213	62,725	65,910	75,084	58,422	75,064	82,202
Sales & Mktg head	38,046	40,788	43,530	49,357	35,106	47,644	54,156
Personnel head	32,562	35,647	38,732	40,788	29,290	40,788	43,873
Finance head	32,562	37,018	40,103	45,930	32,629	43,873	48,329
Switzerland: M.D.	46,442	56,554	57,303	65,543	44,497	68,165	77,528
Sales & mktg head	36,202	43,071	46,816	50,187	36,003	50,936	54,307
Finance head	41,200	42,697	43,820	46,067	33,694	44,944	48,315
Personnel head	32,959	34,082	39,325	40,824	30,645	43,820	44,195
UK: M.D.	37,924	41,232	47,509	50,099	34,750	50,000	58,151
Sales & mktg head	27,100	29,593	31,009	34,000	25,150	35,875	40,750
Finance head	27,125	28,347	30,520	33,745	25,000	41,613	41,750
Personnel head	–	–	–	–	–	–	–
Belgium: M.D.	43,514	50,175	61,615	68,276	34,645	65,878	73,722
Sales & mktg head	43,097	46,428	44,763	49,958	27,694	45,312	52,689
Finance head	33,938	33,938	37,086	40,416	24,309	41,415	45,579
Personnel head	–	–	–	–	–	–	–
Netherlands: M.D.	42,586	46,061	51,407	61,141	35,522	62,053	80,304
Sales & mktg head	41,065	41,369	46,844	52,015	31,425	56,882	64,183
Personnel head	–	–	–	–	–	–	–
Finance head	32,852	36,502	38,327	43,498	27,602	46,844	53,536
Denmark: M.D.	50,122	52,958	61,621	63,284	23,472	71,194	82,894
Sales & mktg head	31,908	32,174	38,289	38,289	17,045	45,735	47,241
Finance head	31,287	31,819	38,289	38,289	17,045	43,918	44,228
Personnel head	36,783	37,159	41,878	42,366	16,095	46,460	46,726

Organisations employing from 250 to 1,000:

Country: Position	Lower quartile Basic salary £	Lower quartile Total cash pay £	Median Basic salary £	Median Total cash pay £	Median Buying power £	Upper quartile Basic salary £	Upper quartile Total cash pay £
Spain: M.D.	82,716	90,683	108,951	115,802	84,805	155,421	148,536
Sales & mktg head	47,322	51,115	54,426	60,077	37,748	65,459	71,738
Finance head	40,104	43,973	51,261	54,372	35,108	59,426	66,126
Personnel head	40,175	42,530	49,180	51,847	33,900	58,869	62,240
France: M.D.	62,300	74,140	85,656	101,933	61,582	95,056	113,123
Sales & mktg head	42,838	50,549	63,713	75,188	50,879	67,172	79,268
Finance head	34,690	39,196	49,339	55,748	38,997	59,858	67,630
Personnel head	32,085	36,582	46,643	53,174	37,443	53,357	60,824
Germany: M.D.	61,354	70,266	76,778	89,803	57,807	90,146	112,082
Sales & Mktg head	43,188	48,329	50,386	56,898	39,919	56,555	65,124
Personnel head	38,046	41,474	45,930	49,700	35,337	51,071	57,241
Finance head	38,732	42,502	44,558	49,357	35,106	52,100	57,926
Switzerland: M.D.	64,463	74,990	78,020	92,390	58,549	87,016	104,052
Sales & mktg head	49,172	54,542	57,303	62,921	43,085	63,549	70,031
Finance head	47,593	50,342	52,060	55,431	38,941	56,954	61,245
Personnel head	40,037	43,046	48,127	52,247	37,158	54,167	58,381
UK: M.D.	57,000	68,245	70,082	75,500	50,050	78,647	86,458
Sales & mktg head	35,000	36,020	39,750	42,620	30,326	47,675	50,000
Finance head	35,000	36,429	40,000	42,500	30,250	45,000	49,071
Personnel head	29,844	30,000	37,500	39,226	28,290	42,468	44,634
Belgium: M.D.	66,361	74,105	73,222	86,943	42,070	92,723	102,998
Sales & mktg head	41,632	45,595	52,373	54,288	29,618	62,814	74,604
Finance head	40,350	41,149	45,862	50,092	28,030	55,187	63,630
Personnel head	35,803	37,402	41,399	42,798	25,236	48,643	55,021
Netherlands: M.D.	53,232	57,795	63,270	66,049	39,073	77,262	90,951
Sales & mktg head	48,061	50,494	54,753	61,445	35,659	62,053	77,871
Personnel head	37,110	37,110	45,323	48,669	29,923	50,190	55,970
Finance head	37,414	42,281	43,498	48,061	29,650	52,015	56,578
Denmark: M.D.	71,172	74,850	83,804	85,524	31,767	106,359	109,395
Sales & mktg head	38,821	41,480	47,862	50,343	20,147	60,802	65,057
Finance head	40,284	40,417	47,862	48,571	19,690	59,162	62,043
Personnel head	36,162	36,162	43,164	44,671	18,688	50,521	62,116

Credit Insurance

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THE APPOINTMENT

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- Interviewing of individual companies, involving significant degree of travel throughout the UK.
- Establishment and maintenance of close working relationships with business information and credit rating agencies and commercial banks.

REQUIREMENTS

- Probably aged 28 to 35, graduate educated, possibly with a business, accounting or banking qualification.
- Minimum of three years' in-depth credit analysis/management experience within a credit insurer, rating agency, insurance broker or commercial bank.
- Sound understanding of corporate businesses and keen appreciation of commercial risks.
- Persuasive, articulate, with highly developed communication and interpersonal skills.
- Energetic and self-motivated, able to thrive within an independent operation remote from head office structure.
- A knowledge of German, whilst not essential, would be helpful.

Please apply in writing with a full CV and salary details by 24 June 1992 to: Susannah Truswell, **K/F Associates**, Pepys House, 12 Buckingham Street, London WC2N 6DF.

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- Key founder member of management team. Provide full financial planning and control. Hire staff as necessary. Report to CEO and Board.

QUALIFICATIONS

- Qualified accountant with experience of senior financial management role in international bank. Aged 30 to 35.
- Good, relevant knowledge from securities sales/trading operation. Familiar with SFA requirements and, ideally, with emerging market settlement.
- International treasury and funding experience. Dedicated professional able to meet tight deadlines and contribute to overall management and development of business.

Please write, enclosing full cv, Ref BL2400
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Hydro Aluminium is an international aluminium company with 11,000 employees, and production facilities and sales offices in 17 countries. The company's activities comprise everything from research and development to the production of primary aluminium, semi-fabricated products and finished products.

Hydro Aluminium is a wholly-owned subsidiary of Norsk Hydro, and the company's sales totalled NOK 15,000 million in 1991.

The Raw Materials and Metal Trading Sections of the Hydro Aluminium Metal Group are responsible for procuring important raw materials for our aluminium plants, and for global trade and other commercial activities involving aluminium and raw materials. This also entails a great deal of activity on the London Metal Exchange.

The Hydro Aluminium Metal Group faces great challenges in the international market.

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- transactions on the metal exchange
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Postings of varying duration to our offices abroad may be considered.

Applicants should have an MBA or the equivalent, and a minimum of 3 years of experience from international business.

Mastery of spoken and written English necessary. Additional languages are a considerable asset.

A good deal of travel must be expected. Your place of work will be Oslo, Norway.

For further information, please contact Harald Martinsen, phone +47 2 73 75 85, or Jon-Harald Nilsen, phone +47 2 73 75 58.

Application plus CV, certificates and references should be sent by 15 June 1992 to:

Hydro Aluminium a.s
Personnel Section
P.O.Box 80
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In each case the salary and benefits package will be tailored to meet the needs of the successful candidate who should also be able to take advantage of the expanding workplace and a very pleasant lifestyle.

Please send full career details quoting the appropriate reference to **Malcolm Lawson at Codd Johnson Harris, Human Resource Consultants, 12 New Burlington Street, London W1X 1FF** or alternatively telephone 071-287 7007 during the working day or 0323 485580 in the evenings.

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Please send career and personal details, including current remuneration, to Jonathan Minter, Managing Director, Julius Baer Investment Management Inc, Bevis Marks House, Bevis Marks, London EC3A 7NE

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Initial appointments will normally be on the basis of 2-3 year contracts with the possibility of subsequent permanent employment. Salary will be negotiable according to experience; fringe benefits are also available.

For an application form please telephone Sarah Kitt on 071-601 4518/4706 or write to her at the address below.

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Candidates should send a comprehensive c.v. or telephone for an application form to Howgate Sable & Partners, Arkwright House, Parsonage Gardens, Manchester, M3 2LF. Tel: 061-839 2000 quoting reference (FL677A).

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The Auditor General, who is head of the Cayman Islands Audit Office, is directly responsible to the Governor for the auditing of all Government accounts.

Applicants should hold a relevant professional qualification and should have at least 10 years experience, including a period at senior administrative level.

Salary will be CI$ 59,076 per annum tax free (CI$ 1 = US$ 1.20). Benefits include air passages, medical care and a Contracted Officers Supplement of 15% of salary paid monthly. Appointment will on a two year contract. Application forms, together with recruitment notes, are available from:

The Cayman Islands Government Office
Trevor House
100 Brompton Road
London SW3 1EX — Telephone: 071 823 7613

Completed application form with a curriculum vitae should be returned by 3 July 1992.

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ACCOUNTANCY COLUMN

Annual fee income rankings: growth rates sharply down

By Andrew Jack

THEY CRITICISE it, they disdain it, they publicly dismiss it. But privately all the accountancy firms eagerly await the release of the annual fee income rankings, keen as they are to see their own position and to crunch the numbers of their competitors.

This year more than any in recent memory, the data warrant close attention for the picture they paint of the impact of recession. Gloomy trends emerge from the numbers and changes in staff and partner employment, revenues from clients, and the other limited information reluctantly handed out by the firms.

The Financial Times' table of the largest 25 firms reveals a year of enormous change, with growth rates sharply down from the late 1980s, some figures in absolute decline, and several changes in the rankings of the different firms.

Four of the top 25 accounting practices reported an absolute decline in fee income this year, and only four managed to achieve the double-digit growth which was typical even last year. Most have struggled to keep up with inflation.

Between them, the firms closed at least 18 branch offices around the country over the past year, and cut more than 3,400 professional jobs, and nearly 100 partners. These figures disguise larger numbers of job losses, which have been off-set by other people who have been hired.

One of the biggest surprises is Coopers & Lybrand. It remains the largest firm by fee income, but fell to £577m. The firm dropped Deloitte from the end of its name at the start of the month, but the legacy of its merger with Deloitte Haskins & Sells in 1990 lives on in the figures.

The firm readjusted the £588m it quoted last year down to £580m, arguing that it over-estimated the income it would receive from the Deloitte's side of the business. That still means it has declined by 0.52 per cent.

The largest drop came from Chantrey Vellacott, in which the fee income fell by 4.55 per cent. BDO Binder Hamlyn also fell sharply, down by 4.43 per cent, while Neville Russell declined by 1.18 per cent.

Seven of the top 20 firms changed position in the FT's league table, compared with their ratings last year. BDO Binder Hamlyn, and Grant Thornton – the two firms just below the "big six" – have switched places. So have Stoy Hayward with Moores Rowland; and Neville Russell with Moore Stephens.

MacIntyre Hudson, which refused to provide any information this year, has dropped off the list entirely. It has almost certainly seen a substantial drop in fee income after its City of London practice de-merged last year.

Two exceptions to the generally gloomy trend are Arthur Andersen and Touche Ross. Andersen grew by 23 per cent, a large proportion of which can be attributed to the highly successful consulting division. But the firm also boasts the best growth rates for both the accounting and insolvency divisions among the large firms.

Touche Ross also bucked the trend with fee growth of 15.72 per cent. That includes substantial contributions from referral work from its international partnership – which includes former Deloitte practices – along with European consulting and the liquidation of the Bank of Credit and Commerce International.

Among the smaller firms, Levy Gee also performed extremely well, with growth up by 10.71 per cent. That reflects the firm's particular strength in insolvency, which contributed 40 per cent of income this year.

As always, the figures come with substantial provisos. It is difficult to analyse the breakdown within the four quoted divisions – accountancy, audit, tax and insolvency – because work is often distributed differently between the categories by different firms.

Not all the year-ends correspond, and some are estimates to help make comparisons rather than the year-ends used by the firms. None of the figures are audited.

At least two firms adopt the questionable practice of including their associate firms around the country. Others have made adjustments to previous years' data, and several have added in contributions from offices in the Channel Islands and the Isle of Man which were excluded in the past.

"I really think it is high time that outsiders were allowed to come in and inspect the books of the firms," says Mr Hugh Aldous, national managing partner of Robson Rhodes, who pours scorn on their reliability.

Other partners, especially those in firms with falling growth rates, argue that profitability is far more important than income. But unless they provide this information, they must expect speculation about their financial health to continue.

Rank	Firm	1991/92 (£m)*	Change 91/92 %	Audit (£m)	Mgmt. Consultancy (£m)	Tax (£m)	Insolvency (£m)	Partners	Prof staff	Prof staff/partner ratio	Fees/partner ratio (£000)	Fees/total prof staff ratio ('000)	Offices
1	Coopers & Lybrand †/★	577.0	-0.52	247.0	136.0	120.0	74.0	715	6,972	9.75	806.99	75.06	38
2	KPMG Peat Marwick †/♣	494.7	5.81	259.4	81.8	102.9	50.6	600	6,992	11.65	824.50	65.16	47
3	Price Waterhouse ††/♦/★★	400.5	6.12	156.1	99.1	106.7	38.6	482	4,602	9.55	830.91	78.78	26
4	Ernst & Young ♦/★★★	398.9	6.91	173.2	74.8	116.6	34.3	411	5,081	12.36	970.56	72.63	30
5	Touche Ross ♦♦/†††/♣	349.7	15.72	169.1	87.5	81.7	41.4	396	4,401	11.11	883.08	72.90	25
6	Arthur Andersen ♦	330.8	23.07	78.5	174.6	59.7	18.0	234	3,578	15.29	1413.7	86.79	10
7	Grant Thornton ♦	118.4	2.69	44.5	3.6	31.0	26.2	235	1,759	7.49	503.83	59.38	52
8	BDO Binder Hamlyn ♦♦♦	114.9	-4.43	64.1	4.6	33.2	6.9	221	1,767	8.00	517.65	57.55	29
9	Panell Kerr Forster ♦♦♦	85.7	1.30	42.5	4.2	21.1	12.6	194	1,628	8.39	441.75	47.04	35
10	Moores Rowland ♦♦♦/§	72.9	11.65	n/a	n/a	n/a	n/a	275	1,519	5.52	264.92	40.64	70
11	Stoy Hayward ♦♦♦♦	68.3	2.55	33.0	7.9	13.0	14.4	132	1,133	8.58	517.42	63.99	11
12	Kidsons Impey ♦♦♦	60.1	4.52	33.1	3.6	16.8	6.6	172	1,131	6.58	349.42	46.12	39
13	Clark Whitehill ♦/§§	53.6	2.88	34.9	2.4	12.9	1.0	208	1,248	6.06	274.76	36.88	84
14	Robson Rhodes ♦♦♦	36.7	4.86	13.8	4.3	9.1	9.5	64	464	7.25	573.44	69.51	11
15	Moore Stephens ‡	35.5	3.50	n/a	n/a	n/a	n/a	117	659	5.63	303.42	43.17	31
16	Neville Russell ‡	33.4	-1.18	19.8	2.5	8.8	2.3	81	567	7.00	412.35	51.54	20
17	Baker Tilly ♦♦♦♦♦	25.8	0.78	11.5	1.7	5.7	2.1	59	360	6.10	437.29	61.58	15
18	Haines Watts ♦♦♦	20.6	1.98	n/a	n/a	n/a	n/a	44	304	6.91	468.18	59.20	18
19	Saffery Champness ♦♦♦	16.6	1.84	10.1	0.1	4.3	—	41	240	5.85	404.88	59.07	9
20	Finnies ♦♦♦	14.2	2.16	n/a	n/a	n/a	n/a	4	217	5.05	330.28	54.62	14
21	Hacker Young ♦♦♦	14.0	0.72	7.8	0.5	4.5	0.8	51	228	4.00	274.51	50.18	10
22	Chantrey Vellacott ♦♦♦	12.6	-4.55	5.2	0.8	4.5	0.5	32	162	5.06	393.75	64.95	7
23	Levy Gee ‡‡	12.4	10.71	4.8	0.5	1.6	5.0	28	148	5.29	442.86	70.45	5
24	Casson Beckman ♦♦♦♦	11.7	3.54	6.4	1.1	2.7	1.1	28	120	4.29	417.86	79.05	1
25	Fraser & Russell ♦♦♦/§§§	11.1	6.73	n/a	n/a	n/a	n/a	33	177	5.36	336.36	62.86	7

NOTES: *net of recoverable expenses; †including Northern Ireland but excluding Channel Islands & Isle of Man; ††including Channel Islands, Isle of Man & Northern Ireland; †††includes UK, Channel Islands & Isle of Man; ♦ y/e 31.3.; ♦♦ y/e 15.4.; ♦♦♦ y/e 30.4.; ♦♦♦♦ y/e 31.5.; ♦♦♦♦♦ y/e 27.3 ‡y/e 31.12.91; ‡‡ y/e 6.4. for 1991 adjusted by the firm (£588m); ★★ Corporate finance figures incl. in Audit; ★★★ Channel Islands & Isle of Man figures were £17m in 1992 (£14.2m in 1991); ♣ fee income for 1991 adjusted by the firm; ½ § includes UK MRI Associates. Moores Rowland's fee income was £32.5m (£30.63m in 91), increase of 5.29%, fee income split Audit £17.42m Management Consultancy £2.9m, Tax £9.32m and Insolvency £1.94m. Fees/Partner Ratio £344,200 and fees/total prof. staff ratio £61,390; §§ y/e 31.12.; §§ figures are in respect of Clark Whitehill and its exclusive associates. 1991 figures (£56.6m) restated by the firm to exclude one former associated firm. % change on that basis would have been -5.63%; §§§ includes £1.6m (£1.4m in 90/91) from Fraser Smith Financial Services. Coopers & Lybrand y/e April.

Research by Jan Schilling

ACCOUNTANCY APPOINTMENTS

FINANCIAL CONTROLLER

Hamburg — **DM 125,000 + Wagen + Bonus**

FÜHRUNGSPOSITION INNERHALB EINER EXPANDIERENDEN EUROPÄISCHEN GRUPPE VON MASCHINENHERSTELLERN

Unser Auftraggeber ist eine Gruppe von Maschinenbaufirmen mit Betrieben in verschiedenen Ländern der EG. In den vergangenen Jahren hat die Gruppe durch Akquisitionen erheblich expandiert. Ein weiterer Zuwachs ist in allen Hauptgeschäftsstellen geplant.

Die ausgeschriebene Position ist in der Niederlassung in Deutschland zu besetzen. Diese Firma stellt Investitionsgüter für die wichtigsten Industriebereiche in Europa und im Fernen Osten her.

Der Financial Controller untersteht dem Managing Director in Hamburg und dem Divisional Finance Director in England. Er/sie wird für alle Aspekte der Finanzverwaltung und der EDV verantwortlich sein. Der Einsatz und die Anwendung eines neuen Computer-Systems und die Ausweitung des Berichts – und Vorhersagewesens werden erste Priorität haben.

Der/die Bewerber(in) sollte mit Fertigungsbetrieben vertraut sein und gute Kenntnisse der Produktionsplanung, Kostenkalkulation und Bestandskontrolle haben. Der/die Bewerber(in) sollte ferner ein(e) qualifizierte(r) Bilanzbuchhalter(in) sein und über umfangreiche Erfahrungen von mindestens vier Jahren in einem Fertigungsbetrieb verfügen. Kenntnisse aus einem entsprechenden Industriezweig, wie z.B. Investitionsgüter oder Maschinenbau, wären von Vorteil sowie außerdem Kenntnisse des deutschen Finanz-Berichtswesens.

Als Mitglied der deutschen Geschäftsleitung werden ausgezeichnete Kommunikationsfähigkeiten vorausgesetzt sowie fließende Kenntnisse der deutschen Sprache. Als Ausgleich für seinen/ihren Beitrag zur weiteren erfolgreichen Geschäftstätigkeit, kann der/die erfolgreiche Kandidat(in) angemessene Einkünfte erwarten.

Bitte richten Sie Ihre Bewerbung in englischer Sprache einschließlich Lebenslauf unter Angabe der Referenz JW FT/202 an: Accountancy Personnel, 3rd Flr, Carmel House, Fargate, Sheffield, U.K., S1 2HD. Tel: (0742) 738775.

Accountancy Personnel — Hays

Financial Controller

Fashion Retailer

To £35,000 + Car & Benefits — London

New position in a respected and successful company. Opportunity to join lean head office management team at senior level to enhance financial management. Excellent prospects within an expanding plc.

THE COMPANY

- Profitable and expanding niche retailing subsidiary of UK quoted group.
- Enviable market position with high customer loyalty and quality product.
- Autonomous, dynamic recently strengthened young board committed to measured expansion programme.

THE POSITION

- Responsible for financial management and control through established team. Report to Financial Director.
- Maintain strict financial discipline. Manage I.T. and store audit function; develop effective control systems.
- Facilitate store opening programme and assist FD and Chief Executive on ad hoc projects.

QUALIFICATIONS

- Assertive, graduate ACA/CIMA, aged 28-33, with at least three years' financial management experience gained from the FMCG sector, preferably retail.
- Robust, energetic team player with challenging results orientated approach.
- Creative and proactive with strong leadership and interpersonal skills.

Please write, enclosing full cv, Ref L2399
54 Jermyn Street
London SW1Y 6LX

NBS

NB SELECTION LTD - a Norman Broadbent International associated company
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Assistant Controller

U.S. multinationaler Konzern

Frankfurt/Main

DM marktgerechtes Gehalt

Unser Auftraggeber ist ein weltweit operierendes und führendes Unternehmen im Dienstleistungssektor. Qualität und Service sind Leitsätze, welche die erfolgreiche Strategie des Unternehmens bestimmen. Einem wirkungsvollen Controlling kommt eine Schlüsselrolle bei der Absicherung des geschäftlichen Erfolgs zu. Zur Unterstützung des Financial Controllers der deutschen Tochterfirma, mit Sitz in Frankfurt am Main, suchen wir eine Dame oder einen Herrn als Assistant Controller mit der Möglichkeit, innerhalb eines Zeitraumes von 2 - 3 Jahren dessen Nachfolge anzutreten.

Tätigkeitsschwerpunkte des Stelleninhabers werden die Leitung des betrieblichen Rechnungswesens, die Verantwortung für den Treasury-Bereich sowie die Weiterentwicklung von Accounting-Systemen sein. Außerdem gehören die Analyse betrieblicher Daten und die Leitung des Bereiches "Steuern" zu den Aufgaben des zukünftigen Assistant Controllers.

Der ideale Kandidat ist zwischen Anfang und Mitte 30, hat die deutsche Staatsangehörigkeit und hat ein Studium der Betriebswirtschaftslehre o.ä. absolviert. Er ist geprüfter Bilanzbuchhalter oder "Qualified Accountant" und hat bereits Berufserfahrung, vorzugsweise im Dienstleistungsbereich, zu bieten. Dabei ist ihm ein Mainframe Accounting-Umfeld nicht fremd. Erwünscht ist auch praktische Erfahrung im "Treasury-Bereich" und auf dem Gebiet der Buchführung und Bilanzierung. Sehr gute Kenntnisse der relevanten deutschen steuerrechtlichen Vorschriften sind zwingend erforderlich. Die Tagesarbeit ist geprägt durch die Notwendigkeit zur Teamarbeit und durch straffe Zeitplanung. Sehr gute Englischkenntnisse und PC-Erfahrung runden die von uns gewünschten Voraussetzungen ab.

For further information in strict confidence contact Robert Walker or Brian Hamill on 071-287 6285 (evenings and weekends 0903 884649). Alternatively, forward a brief resumé to our London office quoting Ref: RW 1254.

WALKER HAMILL
Financial Recruitment Consultants

29-30 Kingly Street
London W1R 5LB

Tel: 071 287 6285
Fax: 071 287 6270

Financial Controller

A major player in the travel industry, my client is part of a £1.2bn international organisation. With annual sales turnover approaching £500m they operate from 17 UK locations.

Reorganisation and the development of complex financial control systems has created the need for this new appointment to implement the new systems and manage the financial operations function.

Reporting to the Financial Director and supported by three function Chiefs for Operational, Management and Financial accounting, your role will be both flexible and broad. As well as producing accounts and financial information to aid decision making, your focus will be on systems implementation and the management of your team of 130 people during a time of significant change.

You will be a qualified accountant and probably aged in your 30's. Previous experience in a big man-management role in a complex business (ideally a travel-related one) together with mainframe or minicomputer financial systems implementation is prerequisite. With high personal presence you must be able to establish credibility at all levels, have excellent interpersonal skills and be free to travel in the UK and abroad, often at short notice.

Success in this demanding role will be rewarded by an excellent remuneration package and career development opportunities in the parent organisation.
To apply please write to me, Tony Clarke, with full CV and salary details quoting reference MD2904 at Macmillan Davies, Salisbury House, Bluecoats, Hertford, Herts. SG14 1PU. Tel: (0992) 552552.

to £50,000 + car

Bedfordshire

Macmillan Davies

SEARCH & SELECTION

Director of Finance & Administration

Hampshire — **c £35,000 + Car**

Our client is a £10 million turnover healthcare subsidiary of a major US pharmaceutical group which having experienced phenomenal sales growth since it's inception in 1987 is now poised for expansion into Europe where it will market both new and existing products.

Following the promotion of the existing Director of Finance they are now seeking to appoint an individual capable of contributing to the second phase of market development in a dynamic and constantly changing environment. Reporting to the Managing Director the successful individual will be expected to not only provide financial stewardship of the business but also advice on a wide variety of commercial issues.

Responsibilities will include the following key areas:

- Providing timely and accurate information to local and US management.
- Strategic planning, budgeting and forecasting.
- Strict financial control and working capital management.
- Development of company wide IT systems.
- Providing commercial input on various Business Development Scenarios.
- Presentation of business and investment proposals to the US management.
- Providing an effective and efficient Customer Services function.

The right individual will be a graduate qualified accountant, aged 35-45, with experience of a sales and marketing led business culture and manufacturing based operations. They will also need to demonstrate strong commercial acumen and analytical skills as well as good financial discipline and IT based systems exposure. Any achievements related to the indicated areas of responsibility as well as experienced gained in US companies and process based manufacturing environments would be considered as advantageous.

Prospects for career development in the UK and US are excellent.

Interested applicants should write to John Zafar ACMA at Michael Page Finance, Windsor Bridge House, 1 Brocas Street, Eton, Berks SL4 6BW.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Divisional Accountant

Major British plc

Bristol — Excellent Package

Outstanding opportunity to join a major company where Finance is a recognised route to Senior Management.

THE COMPANY

- £ billion turnover, employing c 2700.
- Market leader in a sector undergoing dynamic change.
- Increased sales and market share in recent years through organic growth and successful acquisitions.

THE CANDIDATE

- Qualified Accountant aged 30 - 40.
- Ambitious, committed, commercially aware, and able to make a contribution at Senior Management level.
- The stature to assume increased responsibility in Finance or General Management disciplines.

THE ROLE

- Seen as a development opportunity for individuals with potential.
- Involvement with strong senior management team in all financial control aspects of a multi-product company.

To apply, please send your curriculum vitae to:
KEITH TOWNROW & PARTNERS, AZTEC CENTRE,
AZTEC WEST, ALMONDSBURY,
BRISTOL BS12 4TD.
Tel: 0454 614373 Fax: 0454 614700

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EXECUTIVE SEARCH & SELECTION

N E W T O N

Newly/Recently Qualified Accountant

City — **to £30,000 + Extensive Benefits**

Our client is a rapidly expanding and successful independent fund management firm. They currently manage over £2 billion of funds comprising institutional funds, pension funds, private client assets, unit trusts and PEPS. As a result of continued expansion they now seek to appoint a high calibre accountant for their unit trust department.

As part of a professional team, you will take responsibility for providing a full accounting service for a portfolio of trusts. These duties will include the preparation of accounts, management reports and tax computations, liaison with external professionals and close interaction with other departments within the organisation.

The successful candidate will be a qualified ACA with up to two years post qualification experience and, ideally, will have gained an understanding of the products of this industry whilst in the profession.

This role will develop rapidly to take on additional responsibilities so the incumbent will need to be technically strong and enjoy the challenge of a steep learning curve.

Interested applicants should write enclosing a full curriculum vitae to Andrew Norton at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.

Michael Page Finance
Specialists in Financial Recruitment
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Appointments Advertising

Appears every Friday (in the International Edition)

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For further information in North America please call JoAnn Gredell on 212 752 4500 or write to her at 14 East 60th Street New York NY 10022

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

SOUTHWARK HOUSING

Finance Manager

2nd Tier £32,211–£36,387 (Incl. L.W.) — (Ref: FT/5/1023)

Southwark is one of the largest Housing Authorities in the country. We own 57,000 homes and our revenue budget exceeds £200m.

We are aiming to provide one of the best housing services in the capital within the next four years and we are making many changes to achieve this. We have decentralised our services into 19 Neighbourhood Offices and plan to move towards more financial accountability locally.

We are seeking a Finance Manager to head up a large group of central support services including budget preparation and monitoring, financial administration and planning, rent accounting, and Right to Buy. You will lead the planning of the process for more devolved cost centre management.

You will need to have:-

- Experience of managing a large group of staff.
- Knowledge of large scale computerised financial systems.
- A good understanding of the operation of an inner city housing authority.
- Extensive knowledge of local authority finance.

If you feel you have the relevant skills, contact: Eustace Holligan 071-703 0571 ext 212, 25 Commercial Way, London SE15 6DG.

An information pack giving more details of the post will be sent out with application form.

Applications from women and people from black and other racial minorities are welcome, due to under-representation at this level.

Last date for receipt of completed applications: 6th July, 1992.

An Equal Opportunities Employer.

All registered disabled applicants with the pre-requisite qualifications will be automatically short-listed.

Applications are welcome from all Southwark residents.

Southwark Council

European Financial Controller

For one of the world's five largest communications groups.

- **REPORTING** to the European Finance Director, with responsibility for the analysis of accounting information provided by group companies and a multi-million pound central expenses budget.
- **THE NEED** is for a qualified accountant with a record of significant achievement, preferably in the head office of a *multi-national company*. Language skills, especially Spanish, would be an advantage.
- **REMUNERATION PACKAGE** in excess of £45,000; preferred age 28-32; London-based.

Write in confidence, enclosing a curriculum vitae, quoting reference T7493 to:

TK
SELECTION

8 Hallam Street, London W1N 6DJ. Tel: 071 580 6113; Fax: 071 631 5317

A DIVISION OF TYZACK & PARTNERS

Finance Director

For one of the leading UK communications agencies, part of a major PLC.

- **REPORTING** to the Managing Director, with responsibility for the financial management of a business with billings in excess of £20m.
- **THE NEED** is for a qualified accountant, with good negotiating skills and commercial awareness, fully experienced in all aspects of a senior finance function in a fee based environment.
- **SALARY** around £50,000; preferred age 35-45; West End base.

Write in confidence, enclosing a curriculum vitae, quoting reference T7494 to:

TK
SELECTION

8 Hallam Street, London W1N 6DJ. Tel: 071 580 6113; Fax: 071 631 5317

A DIVISION OF TYZACK & PARTNERS

Derivatives Accountants

City £ excellent

Following the rapid growth of the derivatives business of a leading European Financial Institution, opportunities have arisen for high calibre qualified accountants to assume key roles within the high profile support function. These positions exist at NQ and 2-4 years PQE levels of seniority.

Responsibilities will include analysis, risk reporting and MIS development for new and existing products, as well as substantial exposure to front office and senior management.

Successful candidates will be highly motivated individuals with strong communications skills, and a sound understanding of structured instruments, including Swaps, Options, FX and Equity derivatives.

Please contact **Liz Osborne or Joe Thomas** on 071 836 9501, or alternatively write to them, enclosing a full CV, to Douglas Llambias Associates, Financial Services Division, 410 Strand, London WC2R ONS. Fax Number : 071 379 4820.

EDINBURGH 031-225 7744
GLASGOW 041-226 3101

DOUGLAS LLAMBIAS

LONDON 071-836 9501
MANCHESTER 061-236 1553

RECRUITMENT CONSULTANTS

SOUTHERN HOUSING GROUP

DEPUTY FINANCE DIRECTOR

c£37,000 P.A.

Housing Associations are the main providers of new social housing, receiving substantial government funding for this purpose and their finances are therefore of increasing significance. Financial reporting methods are set for major change in the next two years, with a SORP under discussion and increasing requirements being introduced by the regulatory body.

The Southern Housing Group seeks an experienced finance manager to fill a new post of Deputy Finance Director, based in Farringdon, EC1. Financial reporting will be the prime responsibility of the new role, steering the Group through the period of change. Candidates will be qualified accountants who are able to demonstrate the skills and maturity required to lead a team of 25 staff in two locations under 3 senior accountants. Previous housing association experience is not essential.

In return we offer a salary in the region of £37,000 p.a., a generous pension and life assurance scheme and 23 days holiday increasing with service.

For further details and an application form please contact:

The Personnel Department
Southern Housing Group
Knights' Court
6-8 St John's Square
London EC1M 4DE
Tel: 071-251 6091
Ref: 26/92
Closing date: 26th June 1992.

The Southern Housing Group comprises the Samuel Lewis Housing Trust, Coastal Counties Housing Association and their subsidiaries. We manage 8,000 homes in Southern England for those in housing need and have one of the country's largest social housing development programmes. Our 300 staff are key to our success. We aim to attract and retain highly effective people to work with us. We welcome applications from all sections of the community.

SOUTHERN HOUSING GROUP

LONDON **c £50,000**

Financial Manager

For a diverse international group of companies with activities spanning the Middle East, North Africa, Europe and the United States. Continuing expansion, fuelled by substantial available funds, has created the need to enlarge the group management team with a strongly commercial financial executive.

As a key member of a small head office team, you will assist in monitoring the performance of international companies; in long range planning; in assessing potential acquisitions; and in integrating new businesses into the group. International travel will be required.

You will probably be a qualified accountant or MBA with in-depth financial and systems experience gained in a blue-chip international group, ideally at both unit and corporate level. Experience of project and/or acquisition appraisal is highly desirable, and we hope that you will also have worked overseas. Personally you must be entrepreneurial, a self-starter and have strong business acumen. Age range: 35-50.

Please send full personal and career details, including a daytime telephone number, in confidence to Edward Simpson, Coopers & Lybrand Executive Resourcing Ltd, 76 Shoe Lane, London EC4A 3JB quoting reference ES912 on both envelope and letter.

Coopers & Lybrand | Executive Resourcing

Financial Accounting and Analysis Manager

£25,000 - £30,000 plus benefits

Saga Holidays is part of the Saga Group of Companies, located in Folkestone. The Saga Group is the market leader in travel for the over 60's with markets in UK, USA and Australia.

Reporting to the Finance Director, the Financial Accounting and Analysis Manager will play a key role in the Finance Division as well as taking a key pro-active role in providing financial reporting, budgeting and planning support to the customer-led operating management.

Candidates must be qualified, have a good degree, commercially-minded but with sound understanding and experience of financial controls and analyses. Excellent personal qualities and communication skills are essential.

To apply, please send full personal and career details including current salary to:
Mr Dinesh Upadhyaya, Finance Director, Saga Holidays Limited,
The Saga Building, Middelburg Square, Folkestone, Kent CT20 1AZ

SAGA

COMPANY ACCOUNTANT

Qualified and commercially experienced accountant required for a major trade contractor in the Construction Industry based in London (NW2), with offices in the Wakefield and Scotland. A keen, hard, flexible worker with strong character and good interpersonal skills, working in a hands-on demanding environment, he/she will report to the Directors.

Responsibility will be for managing the accounting function and all other financial activities of the business.

For a person with ambition, initiative and creative flair there will be involvement in the development of the business and the prospect of promotion.

Salary and benefits package commensurate with the position will be offered.

Please write with full CV to: The Company Secretary, 3 West Lodge Court, Uxbridge Road, Acton, London W3 9SD

The Top Opportunities Section

appears every Wednesday. For advertising information call:

Stephanie Cox-Freeman
071 873 4027

Elizabeth Arthur
071 873 3694

Leif Höegh & Co. A/S is one of the largest private shipping companies in Europe. The Company operates 33 ships, of which 27 are owned and 4 partly owned.

Bona Shipping A/S has been established by Leif Höegh & Co. A/S to develop its tanker related activities. The fleet will initially consist of 8 Panmax OBO carriers and 2 Aframax tankers contracted for delivery in 1993 and 1994. The new Company will be based in Oslo independent of Leif Höegh & Co. A/S.

External partners and investors will be sought to further strengthen the Company's resources. The Company expects to pursue a public listing in the future. Emphasis will be placed on quality of vessels, operations and personnel, and on a conservative financial policy.

In order to complete the leadership group, Bona Shipping A/S is seeking a

FINANCE DIRECTOR/CFO

The CFO will be responsible for all financial aspects of the Company's activities and will report to the President.

Building and maintaining relationships with external funding sources, treasury and controller functions, investment appraisal and project management will all be important areas of responsibility. An interest in and ability to continue the development of systems in these areas is important.

The successful candidate should have experience from both debt- and equity based international financial markets. Controller and general management experience will be an advantage.

Industry experience from either the shipping and/or oil sector will be preferred.

To be considered the applicant must have appropriate international and academic and professional qualifications.

Further information is available from John Smådal, President, or Erik Norman, Director Finance, telephone (472) 869 700. Fax. (472) 869 945.

Please apply in writing by June 30th.

LEIF HØEGH & CO. A/S
Postboks 2596 Solli, 0203 Oslo 2. Tlf. (02) 88 97 00

Director of Finance & Corporate Information

Circa £50k

A unique opportunity for a unique individual

NRHA has a vital strategic role in the management of Health Services. Our energy and vision is directed to meeting today's and tomorrow's health needs, shaping future services and achieving the best health outcome for the money we spend. Our structure and strategy is designed to generate maximum health gain.

This is a major appointment in the Authority. The successful candidate will not only oversee and direct resources of some £1.5 billion, but will also have significant opportunities to influence corporate policy development through membership of the RHA and the Regional Management Board.

Your advice and expertise will be needed on a wide range of issues, to enable the Authority to make the most of its financial resources.

To fulfill this role, you will need considerable energy and commitment to solve problems and seek new opportunities. Good interpersonal and negotiating skills will be essential.

In addition, you must have a proven and successful track record in financial management. Your ability and desire to take a leading role means you are most likely to be a current Director of Finance of a large public sector organisation e.g., Local Authority, NHS, or a Senior Financial Director of a large private organisation with diverse operations.

Above all, you must be ready to take responsibility for financial actions affecting over 62,000 staff and over 3 million people.

If you have the skills to meet this challenging role, please contact Miss Deborah Wilkinson during office hours on (091) 2246222 Ext. 46402 for an information pack, or phone (091) 2761505 (24 hour answerphone service) quoting ref. 201/92.

CV's should be returned to Division of Human Resources, Northern Regional Health Authority, Benfield Road, Newcastle upon Tyne NE6 4PY by 30 June 1992.

This Authority operates a No Smoking Policy.

NORTHERN · REGIONAL HEALTH · AUTHORITY

SnyderGeneral is a highly successful $800 Million turnover US Multinational organisation manufacturing high value capital equipment and with world wide business interests. We wish to appoint the following key personnel to our European Headquarters team based in Brussels.

Senior Accountant:-

Reporting to the European Financial Controller, you will closely assist him with the consolidation of European operating company accounts. You will be a qualified financial/management accountant with significant experience of plant and industrial accounting and cost control procedures.

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COMMODITIES AND AGRICULTURE

Rain threatens US wheat crop

By Nancy Dunne in Washington

ALTHOUGH SHOWERS in the Midwest are easing fears of another US drought, too much rain in the Texas and Oklahoma has contributed to concern about the winter wheat harvest at a time when US wheat stocks are already at their lowest level for years.

Even without the weather considerations, the US Department of Agriculture yesterday projected tightened wheat supplies for 1992-93 as a result of reductions in expected yields and planted acreage. Stocks at the end of 1992-93 were projected at 427m bushels, down 22m from last month's estimates.

Harvesting in two of the three largest winter wheat-producing states has been delayed by the excessive rain, and the cotton crop in Texas may also be damaged. The US Farm Bureau is estimating the total wheat crop at between 2.15bn and 2.2bn bushels, up from last year's unimpressive 1.98bn bushels.

There is no fear at all of tight wheat stocks worldwide. Smaller crops predicted for the US, Morocco and South Africa are more than offset by a larger projected output in the European Community and China. Canada's surplus stocks from last year have turned out to be higher than had been calculated.

Dr Norton Strommen, the USDA meteorologist, yesterday said recent rains in Kansas have been sufficient for the maturing wheat. In Illinois development of maize and soyabeans has been slowed by dry weather. This week's showers have been insufficient, but more rain was expected in the next 36 hours.

Worldwide, cotton production is expected to exceed use by 5m bales, resulting in a further gain in stocks. With several countries aiming to maintain production despite lower world prices, output is forecast at 94m bales, only 1 per cent below last year's record.

The global oilseed crop is running about 3 per cent higher than last year. Paraguay's soyabeans have been hurt by dry weather and US soyabean production is projected at 52.1m tonnes, down from an estimated 54.4m last year.

Comex developing jet fuel futures contract

By Barbara Durr in Chicago

THE NEW York Commodity Exchange (Comex) is developing a jet fuel futures contract, which it hopes to submit for approval by the Commodity Futures Trading Commission before the end of the year.

The move will not to improve Comex's already antagonistic relations with the New York Mercantile Exchange (Nymex), which is considered the primary energy market. Nymex's heating oil futures are currently used by airlines to hedge their jet fuel price risks. But, according to Comex, jet fuel users have increasingly looked for a product that more closely corresponds to their needs. It believes that there is sufficient demand for a jet fuel contract.

Nymex, which has in the past investigated the possibility of launching its own jet fuel futures, decided against doing so because it deemed that the number of players was too small. Its spokeswoman, Ms Nachamah Jacobovits, said that while heating oil was not a perfect hedge, many airlines used it and "are happy with the level of liquidity".

Comex, a metal exchange trading copper, silver and gold, has been keen to broaden its product range. Its new chairman, Ms Donna Redel, has been contemplating a renewed effort at trading aluminium as well as financial futures based on the Eurotop 100 stock index, to be developed in co-operation with the European Options Exchange in Amsterdam.

In spite of the existence of sour crude contract on Nymex, Comex moved ahead to win Commodity Futures Trading Commission approval for a Dubai sour crude future in April and plans to launch it in co-ordination with the International Petroleum Exchange whenever the market ripens.

Comex also said in April that it intended to list futures on platinum and palladium, both of which are traded on Nymex. Nymex retaliated by suggesting it would consider contracts on silver and gold.

The jet fuel contract, thus, seems to be only the latest in a series of Comex challenges to Nymex. The two exchanges have had sporadic merger talks in recent years, but these always have always foundered. Nymex, which shares quarters with Comex and three other New York exchanges, even *withdrew last year from a joint* move to a new trading floor.

The power behind Pechiney's Dunkirk smelter

Kenneth Gooding on an aluminium project that owes its conception to overgeneration of electricity

IT STARTED with a convivial lunch-time conversation between two of France's most powerful industrialists. From that friendly chat was to spring one of Europe's biggest industrial projects in recent times, the $1bn Dunkirk aluminium smelter.

One of the industrialists at that lunch, Mr Pierre Delaporte, president of Electricité de France, the state-owned power generation group, had a big problem. EDF, like other energy suppliers that needed to forecast demand many years ahead, had miscalculated. It was going to have too much nuclear generating capacity in the early 1990s.

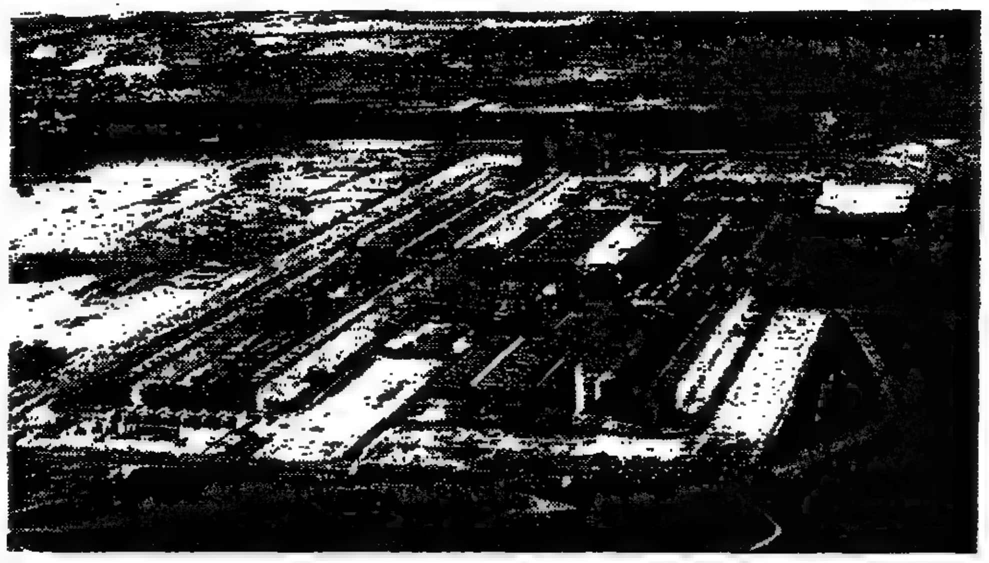
EDF contacted some of its best customers, those with huge energy requirements, to see if something could be worked out with them.

That is why Mr Delaporte sat down to lunch with Mr Jean Gandois, president of Pechiney, France's state-owned aluminium group. A modern aluminium smelter, producing about 250,000 tonnes a year, will consume as much electricity as a city the size of Sheffield or Lyons.

Mr Gandois was already in an expansionist frame of mind. At the time of the lunch with *Mr Delaporte, the autumn of* 1988, he was secretly putting the final touches to a deal for Pechiney to buy American National Can, the world's biggest packaging company, for $4bn.

His response to Mr Delaporte's overtures was equally audacious. "Let's build a new aluminium smelter in France" he suggested.

Some would have dismissed this as a foolish proposition because all through the 1980s aluminium production had been steadily drifting from countries where energy costs were high to those with abundant, low-cost supplies – particularly countries with hydro-electric power. In that process



Efficiency is aided by the arrangement of the pots (reduction cells) in one long line

nearly all of Japan's aluminium smelters closed down while new ones were built in Canada, South America and the Middle East.

However, some European *industrialists* are worried about this growing separation of aluminium production and the main consuming markets. They suggest it makes the European industry more vulnerable to exchange rate fluctuations (aluminium prices are usually quoted in US dollars) and say nobody can guarantee that the governments of the energy-rich countries will not develop Opec-type pricing policies for their aluminium sometime in the future.

So Mr Gandois could not resist grabbing EDF's offer.

There was a snag though. That low-cost power was available only for a few specific years at the begining of the 1990s and Pechiney would have to act very quickly to take advantage of EDF's offer.

Pechiney and EDF did some fast research and chose Dunkirk, near the coast across the Channel from Britain, for the site of the smelter. It is an area of high unemployment (more than 15 per cent) and close to an EDF nuclear power station.

The proposed smelter was to cost about $750m and working capital requirements would take the total cash needed to about $1bn. Pechiney's balance sheet was also about to be burdened with the cost of American National Can so a complex financing arrangement for the smelter was worked out.

Consequently, Pechiney controls 35 per cent of Aluminium Dunkirk, the company which owns the Dunkirk smelter. French and foreign banks and insurance companies hold the rest. Pechiney also has a one-third share in the company that operates the smelter with the rest of the equity shared by the ownership company and EDF. Pechiney is responsible for supplying all the smelter's alumina (aluminium oxide) – 400,000 tonnes a year of this essential raw material – and for selling the aluminium.

When Mr Gandois told his technical people that Pechiney was to build a new smelter they said: "Give us another 18 months or two years and we *will have some fantastic new* technology for you". But he told them it was not possible to wait. The start-up of the smelter had to synchronise with EDF's period of excessive capacity.

And, probably because every bit of technology employed at Dunkirk has been tried and tested elsewhere before on a commercial scale, the smelter was built and brought into operation in only 22 months, probably a record for a smelter on a greenfield site.

That is not to say that Dunkirk's technology is old-fashioned. Apart from being Europe's biggest aluminium producer and third in the world outside the former Soviet Union, Pechiney claims leadership in sales of aluminium technology – two out of three new smelters built in the past ten years have employed some of its technology.

In aluminium smelting, the aim is to push as much electricity through the raw material as possible – the higher the amperage, the more metal can be produced. But this is a tricky business. The magnetic fields created by all this power can play havoc and create very dangerous conditions in the smelter if not properly controlled.

Pechiney won many technical contracts because it was the first company to operate a potline functioning at more than 280,000 amperes. At Dunkirk Pechiney has brought into operation the first complete set of electrolytic reduction cells (called pots in the trade) running on direct current of 300,000 amperes.

This technology makes the smelter the most productive anywhere in the world, Pechiney claims, with an output of 400 tonnes a year for each one of the 550 members of the workforce.

This is made possible by the design of the pot conductor circuits, which are able to optim*ise the magnetic fields in the* "pad" of metal and thereby ensure its stability.

Also, Dunkirk's 264 pots are in one long line rather than split into two or three lines as seen in other modern smelters. This not only kept down capital costs but needs fewer people to operate the pots.

Pechiney claims, too, that Dunkirk emits virtually no pollution.

When Pechiney and EDF announced the smelter in November, 1988, there was widespread suspicion it was possible only because EDF would be supplying electricity subsidised in some way by the French taxpayer. Some critics suggested the European Commission might veto the scheme.

The commission's investigation certainly took some time but the partners pressed on with construction. They had spent $500m and still the commission was withholding its necessary blessing. Even though Mr Jacques Delors, the French president of the commission, was supportive, Pechiney and EDF only gained the necessary EC approval from Sir Leon Brittan, the Competition Commissioner, by undertaking that the proposed price of electricity to the smelter would be increased by 10 per cent in the three years from 1997. The commission said pricing before that three-year period was fair.

The smelter's first pot started up in November, only 22 months after work started. On May 15 this year the smelter was running at its nominal full annual capacity rate: 215,000 tonnes. Mr Bernard Allais, the pot line manager, says it will be stabilised at this level for some months for some "fine tuning".

Nevertheless, Dunkirk will produce 180,000 tonnes of aluminium this year and is breaking even at the operating level.

Pechiney has closed two small smelters, at Rioupéroux in the French Alps and Noguère in south western France, which between them produced about 80,000 tonnes. So Dunkirk represents an addition of about 135,000 tonnes to its annual capacity. It total output this year is predicted to be 870,000 tonnes.

Mr Gandois, pleased with the success of his venture, says that the Dunkirk smelter proves there was still a place for big, heavy industrial projects in Europe.

Others are not so sure. Mr David Morton, chairman of Pechiney's rival, Alcan of Canada, almost certainly has Dunkirk in mind when he says: "One must question whether a crowded region like Europe should use so much of its energy resources to create the relatively few jobs available in an aluminium smelter."

UK tries to calm fears over EC capital rules

BRITAIN HAS moved to calm commodity traders' fears that the planned European Community capital adequacy rules could harm their profitability, reports Reuter.

Treasury officials said that the government had asked the community for discretion in the treatment of commodity brokerages with regard to the planned regulations. "We have every confidence we will be able to achieve that," one said.

European Commission officials announced on Wednesday that they had made a significant breakthrough in agreeing capital adequacy rules for investment companies to allow them to operate in the community's single market.

Some details have still to be settled, but a final political agreement on the Capital Adequacy Directive is possible at a council meeting on June 29.

One of the spin-offs of the planned set of regulations is that it could seriously damage London Metal Exchange brokers. The fact that most LME members trade foreign exchange means they get caught by the directive's net.

Mr David King, the LME *chief executive said yesterday* that he had discussed the issue on Wednesday evening with the UK treasury. He was accompanied by, among others, Mr Phillip Thorpe, chief executive of the London Futures and Options Exchange.

Mr King said the treasury told him it was committed to seeking "some accommodation for commodity business within the directive," or ideally to exclude it altogether. "We have to weigh up every word, almost down to each dot and comma," he added.

One problem for LME members would be that a broker's *net worth for regulatory* purposes would be reduced by 3 per cent of the value of stocks it holds. At present LME warehouses hold nearly 2m tonnes of metal worth about $3bn.

Mr King said there was also a potential difficulty on the question of large credit exposures.

The International Commodity Clearing House would be deemed to be a counterparty, so the large credits outstanding between members and the clearing house could breach the exposure rule. The clearing house, owned by British commercial banks, clears and guarantees *business on London's* futures markets.

Natural rubber producers to consider free market

MEMBERS OF the Association of Natural Rubber Producing Countries members, who are meeting here next week, appear willing to shelve ideas for a producer cartel and explore the possibilities of an open market, a local commodity exchange official said yesterday, reports Reuter from Singapore.

"A new mood seems to be prevailing, I think. There is a willingness among producers to give the open market a *chance, to explore ways to find* a better price through open trade," said Mr Quek Kar Tung, general manager of Singapore's RAS Commodity Exchange.

Rubber producers, frustrated by an extended period of low prices, have been considering ways to boost prices. One idea recently mooted was a producers' cartel to restrain supply.

The producers' associaton, formed in 1970, groups India, Indonesia, Malaysia, Papua New Guinea, Sri Lanka, Thailand and Singapore, which for *the bulk of the world's natural* rubber output.

WORLD COMMODITIES PRICES

MARKET REPORT

Robusta **COFFEE** prices closed weaker in London, while arabicas were down at midday in New York. The market will probably test life-of-contract lows, one New York trader said – "There is no reason right now for prices to go up". Technically, the market is in a downtrend and there is no fresh supportive fundamental news until the ICO meeting in London on June 22. London September **COCOA** hit a new 16½-year low of £531 a tonne, but recovered some of the loss by the close. Dealers said the prospect of further sales by the Ivory Coast – on holiday yesterday – continued to weigh on sentiment. **ZINC** prices rallied form earlier 2½-month lows by the close on the LME. Continued technical tightness kept the premium for cash metal over three-month at $172 a tonne. **PLATINUM'S** brief rally met resistance at $370 a troy ounce on the London bullion market. Earlier speculative US commission house buying on Nymex triggered buy stops after weak US retail sales data helped to revive speculation of a US interest rate cut. The white metal was fixed at $370 in the afternoon, up just over $2 from the morning fix, before it slipped back in the face of initial upward resistance, London dealers said.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$18.95-9.05	[illegible]
Brent Blend (dated)	$21.20-1.25	+0.35
Brent Blend (Jul)	$21.20-1.30	+0.30
W.T.I (1 pm est)	$22.45-2.55y	+.275

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$233-235	[illegible]
Gas Oil	$191-192	+3
Heavy Fuel Oil	$81-83	+0.5
Naphtha	$203-204	+0.5
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$338.35	+0.35
Silver (per troy oz)♣	407.0c	+1
Platinum (per troy oz)	$370.0	+1.75
Palladium (per troy oz)	$90.75	+0.25
Copper (US Producer)	106.88c	-0.92
Lead (US Producer)	37.0c	
Tin (Kuala Lumpur market)	16.07r	
Tin (New York)	302.25c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	111.53p	+0.85*
Sheep (live weight)†♠	99.15p	-7.81*
Pigs (live weight)†	87.15p	+5.31*
London daily sugar (raw)	$257.0x	+4.5
London daily sugar (white)	$283.0x	-0.5
Tate and Lyle export price	£249.0	+2
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£149.0x	
Wheat (US Dark Northern)	Unq	
Rubber (Jul)♥	52.50p	
Rubber (Aug)♥	52.50p	
Rubber (KL RSS No 1 Jul)	222.0r	
Coconut oil (Philippines)§	$620.0	
Palm Oil (Malaysian)§	$410.0y	+5
Copra (Philippines)§	$402.5y	
Soyabeans (US)	£151.5t	-1
Cotton "A" Index	62.10c	-2
Wooltops (64s Super)	418p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Jun/Jul y-July w-Jul/Aug z-Jun. q-May. †Meat Commission average fatstockprices.* change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Aug	226.40	226.60	228.20	
Oct	216.40	216.60	216.20	
Dec	206.00	205.00	200.00	
Mar	207.00	208.60	208.60	
White	**Close**	**Previous**	**High/Low**	
Aug	264.00	268.90	267.00	263.00
Oct	270.50	270.90	270.60	268.40
Dec	268.50	270.00	268.50	268.00
Mar	273.50	274.40	273.00	272.50
May	278.00		278.50	278.00

Turnover: Raw 181 (164) lots of 50 tonnes. White 947 (1286)
Paris- White (FFr per tonne): Aug 1524.67 Oct 1460.02

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low	
Jul	21.26	21.16	21.36	21.13
Aug	21.12	21.06	21.23	21.01
Sep	21.02	20.97	21.13	20.98
Oct	20.89	20.90	21.00	20.88
Nov	20.80	20.76	20.87	20.73
Dec	20.75	20.67	20.77	20.70
IPE Index	20.86	21.06		

Turnover 27744 (36617)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Jun	189.50	188.25	191.25	189.50
Jul	190.00	187.25	191.25	189.00
Aug	191.50	189.25	192.75	190.75
Sep	193.50	191.00	194.50	193.00
Oct	195.50	193.25	197.00	194.75
Nov	196.75	194.75	196.75	196.75
Dec	198.25	196.00	198.25	198.25

Turnover 23459 (19696) lots of 100 tonnes

FRUIT & VEGETABLES

English strawberries are plentiful this week and are reasonably priced at 90p-£1.20 reports the FFVIB. Other good buys include New Zealand kiwifruit at 20-25p each. Spanish apricots at 70p-£1.10 a lb and Spanish and Italian peaches at 20-30p each. Broad beans are this week's best vegetable buy priced at 30-35p a lb. Jersey royals and English new potatoes at 15-20p a lb. English and French carrots are at 25-35p a lb. English peas at 45-55p a/lb and homegrown cauliflower at 40-55p a head. English Iceberg lettuce is superb this week at 55-65p each, other good lettuce buys include Round lettuce at 25-35p each.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Jul	513	516	516	508
Sep	534	539	537	531
Dec	566	574	570	565
Mar	600	[illegible]	[illegible]	[illegible]
May	621	624	623	619
Jul	641	644	644	637
Sep	661	664	663	657
Mar	720	728	720	

Turnover: 5128 (3854) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 10 662.55 (665.72) 10 day average for Jun 11 661.23 (664.71)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low	
Jul	[illegible]	686	[illegible]	[illegible]
Sep	720	723	728	710
Nov	746	745	746	732
Jan	762	766	763	
Mar	783	785	770	
May	796	798	796	

Turnover: 2858 (2882) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jun 10: Comp. daily 48.15 (49.00) 15 day average 48.59 (48.60)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Apr	85.0	85.5	87.0	85.0

Turnover 86 (88) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low	
Aug	128.10	124.5	128.10	128.00

Turnover 50 (0) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Jun	1123	1116	1124	1120
Jul	1046	1041	1050	1040
Jan	1220	1222	1229	1225
BFI	1178	1168	1178	

Turnover 114 (86)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Jun	125.70	125.65	125.05	123.50
Sep	111.05		111.05	110.90
Nov	114.10	114.05	114.15	114.00
Jan	117.70	117.50	117.50	117.10
Barley	**Close**	**Previous**	**High/Low**	
Sep	108.70	107.85	108.20	107.85
Jan	114.85	114.60	114.85	114.80

Turnover: Wheat 200 (94), Barley 38 (10).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low	
Jun	121.2	119.9	121.0	119.9
Jul	114.6		114.2	113.0
Aug	107.0	105.7	108.5	105.9
Sep	108.0	107.0	107.5	
Oct	109.5	105.0	105.5	108.3
Nov	110.0		108.8	108.5

Turnover 103 (46) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 32,572 lots
Cash	1271-72	1274-76		1270-71		
3 months	1296-97	1300-01	1303/1294	1295.5-96	1299-99.5	108,002 lots
Copper, Grade A (£ per tonne)						Total daily turnover 12,963 lots
Cash	1220-21	1235-36	1228/1224	1227.5-28		
3 months	1245-46	1257.5-58	1253/1243	1252.5-53	1245-46	105,187 lots
Lead (£ per tonne)						Total daily turnover 4,720 lots
Cash	293.5-4.5	296.5-7.5	296	296-6.25		
3 months	304-04.5	306-08	308/302	307-7.5	304-05	16,483 lots
Nickel ($ per tonne)						Total daily turnover 4,124 lots
Cash	7120-30	7100-10	7115	7114-15		
3 months	7200-05	7180-85	7225/7180	7188-90	7215-20	35,337 lots
Tin ($ per tonne)						Total daily turnover 1,800 lots
Cash	6445-55	6465-75	6410	6410-12		
3 months	6475-85	6500-10	6495/6410	6442-45	6475-80	5,038 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 20,028 lots
Cash	1423-28	1440-02	1439/1435	1437-38		
3 months	1253-54	1251-52	1258/1245	1253-54	1256-57	56,853 lots

LME Closing £/$ rate: SPOT: 1.8450 3 months: 1.8226 6 months: 1.7955 9 months: 1.7786

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	338.20-338.60	
Opening	336.00-336.30	
Morning fix	338.00	
Afternoon fix	338.25	
Day's high	338.40-338.70	
Day's low	337.70-338.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	3.58	6 months	3.42
2 months	3.45	12 months	3.58
3 months	3.44		

Silver fix	p/troy oz	US cts equiv
Spot	221.30	405.65
3 months	226.80	409.65
6 months	232.20	413.90
12 months	243.05	424.15

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	336.25-339.25	183.75-184.25
Maple leaf	348.00-350.00	189.50-190.00
New Sovereign	83.00-84.00	45.00-45.50

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1200	83	104	3	5
1300	7	36	24	35
1400	3	6	118	105
Copper (Grade A)	**Calls**		**Puts**	
2100	182	165	3	3
2200	64	78	3	12
2300	4	22	41	55
Coffee	**Jul**	**Sep**	**Jul**	**Sep**
600	65			
650	45	77		7
700	8	41	13	21
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
575		9	62	50
600		5	87	71
625		2		93
Brent Crude	**Aug**	**Sep**	**Aug**	**Sep**
2000	125		12	23
2050	91		20	38
2100	55		37	65

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jun	340.5	337.8	340.7	337.9
Jul	341.2	338.7	0	0
Aug	342.3	[illegible]	342.4	339.7
Oct	344.2	341.7	344.5	341.8
Dec	346.2	343.8	346.5	343.6
Feb	348.5	346.1	0	0
Apr	350.8	348.4	0	0
Jun	353.2	350.8	0	0
Aug	355.8	353.5	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	368.5	365.9	369.0	365.0
Oct	373.5	372.5	376.0	372.0
Jan	373.8	371.2	374.0	371.0
Apr	373.8	371.0	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jun	409.8	405.2	0	0
Jul	410.5	405.8	411.0	404.5
Aug	412.3	407.6	0	0
Sep	413.7	408.9	414.0	408.0
Dec	418.3	413.5	419.0	412.5
Jan	420.0	415.2	0	0
Mar	423.5	418.7	423.0	418.0
May	427.1	422.3	0	0
Jul	430.7	426.0	426.5	426.5
Sep	435.0	430.3	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	103.00	103.25	103.40	102.80
Jul	102.95	103.30	[illegible]	102.70
Aug	102.95	103.25	103.00	103.00
Sep	102.95	103.25	103.45	102.75
Oct	102.95	103.20	103.00	103.00
Nov	102.90	103.20	103.15	103.15
Dec	102.90	103.15	103.30	102.85
Jan	102.85	102.90	0	0
Feb	102.50	102.85	0	0
Mar	102.35	102.45	102.50	102.40

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	10.10	10.23	10.28	10.10
Oct	9.60	9.59	9.65	9.55
Mar	9.43	9.44	9.48	9.41
May	9.38	9.36	9.38	9.37
Jul	9.31	9.30	9.32	9.30
Oct	9.20	9.21	9.25	9.25

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jul	22.50	22.51	22.63	22.43
Aug	22.49	22.48	22.58	22.41
Sep	22.34	22.39	22.47	22.29
Oct	22.22	22.28	22.36	22.20
Nov	22.12	22.17	22.25	22.07
Dec	22.00	22.06	22.14	21.96
Jan	21.85	21.92	22.01	21.82
Feb	21.68	21.76	21.88	21.68
Mar	21.55	21.66	21.68	21.53
Apr	21.47	21.52	21.48	21.45

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jul	6140	6147	6185	6110
Aug	6200	6196	6240	6170
Sep	6300	6300	6330	6280
Oct	[illegible]	[illegible]	6415	6370
Nov	6470	6472	6496	6465
Dec	6575	6552	6585	6545
Jan	6560	6557	6585	6540
Feb	6420	6427	6450	6420
Mar	6195	6182	6205	6205
Apr	6020	5952	6020	6000

COCOA 10 tonnes; $/tonnes

	Close	Previous	High/Low	
Jul	812	802	814	808
Sep	850	846	861	853
Dec	915	904	917	908
Mar	966	959	968	960
May	996	986	995	995
Jul	1027	1013	1027	1025
Sep	1056	1044	1055	1055
Dec	1095	1085	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	60.00	60.45	60.30	59.70
Sep	61.90	62.35	62.20	61.60
Dec	64.80	65.30	65.10	64.60
Mar	67.75	68.15	67.95	67.35
May	72.00	72.25	72.00	71.50
Jul	74.40	75.00	0	0
Sep	76.05	76.35	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	61.73	60.84	61.80	59.80
Oct	63.40	62.22	63.60	61.75
Dec	63.15	62.02	63.20	61.65
Mar	64.00	63.10	64.00	62.75
May	64.50	63.70	64.50	63.40
Jul	64.60	64.07	0	0
Oct	63.75	62.98	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	131.10	131.20	131.90	130.60
Sep	122.80	123.15	123.50	122.75
Nov	118.75	116.90	116.80	116.00
Jan	115.00	115.10	115.55	114.55
Mar	114.80	114.75	115.00	114.85
May	114.30	114.30	0	0
Jul	114.30	114.30	0	0
Sep	114.30	114.30	0	0
Nov	114.30	114.30	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Jun.11	Jun.10	mnth ago	yr ago
1591.0	1601.2	1600.0	1754.0

DOW JONES (Base: Dec. 31 1974 = 100)				
	Jun.10	Jun.9	mnth ago	yr ago
Spot	118.34	119.39	118.00	130.32
Futures	119.36	120.03	118.94	126.75

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	620/2	625/6	626/0	617/0
Aug	623/4	629/4	631/0	620/4
Sep	628/4	634/0	637/0	[illegible]
Nov	635/4	640/2	643/0	632/0
Jan	643/2	647/4	649/0	641/0
Mar	651/0	655/4	656/4	648/4
May	654/6	658/4	659/4	651/0
Jul	655/0	660/6	660/4	654/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	21.79	22.05	22.15	21.58
Aug	21.87	22.18	22.27	21.78
Sep	22.04	22.35	22.43	21.98
Oct	22.18	22.49	22.42	22.07
Dec	22.44	22.77	22.86	22.34
Jan	22.53	22.87	22.76	22.46
Mar	22.75	23.07	22.90	22.70
May	22.95	23.27	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	184.7	184.7	185.5	183.3
Aug	185.6	185.2	186.0	184.0
Sep	186.0	186.0	186.7	184.7
Oct	204.3	204.4	204.8	202.5
Dec	204.3	204.5	205.1	202.8
Jan	204.7	204.8	204.8	203.2
Mar	205.5	205.5	0	0
May	206.5	206.5	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	261/6	263/6	264/4	260/4
Sep	265/4	267/2	267/6	264/2
Dec	269/0	271/0	271/4	267/2
Mar	276/0	278/0	278/2	274/2
May	278/4	280/4	280/6	277/0
Jul	280/6	282/6	281/0	278/6
Sep	265/0	267/4	267/0	264/4
Dec	261/0	264/0	261/2	259/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	363/2	373/0	373/4	363/0
Sep	367/4	377/2	378/0	367/2
Dec	374/6	384/4	385/0	374/4
Mar	375/0	384/2	382/4	374/0
May	359/0	369/4	369/4	359/0
Jul	340/0	345/0	343/4	340/0
Sep	347/0	353/0	0	0
Dec	360/0	363/0	360/0	360/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	73.125	73.225	73.300	73.025
Aug	70.375	70.375	70.500	70.225
Oct	70.000	70.100	70.075	69.900
Dec	69.475	69.475	69.600	69.450
Feb	69.250	69.325	69.350	69.250
Apr	70.825	70.625	70.825	70.625
Jun	69.075	69.075	0	0

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	47.675	47.475	47.925	47.375
Jul	44.500	44.250	44.850	44.350
Aug	42.425	42.100	42.500	42.125
Oct	38.550	38.600	[illegible]	[illegible]
Dec	41.350	41.550	41.700	41.200
Feb	43.150	43.300	43.400	43.125
Apr	42.300	42.400	42.500	42.300
Jun	47.550	47.600	47.500	47.500

PORK BELLIES 40,000 lbs; cents/lb.

	Close	Previous	High/Low	
Jul	31.625	31.425	31.850	31.100
Aug	29.600	29.425	29.850	29.150
Feb	42.925	40.900	43.400	42.650
Mar	42.150	42.550	0	42.150
May	43.300	43.700	0	43.250

LONDON STOCK EXCHANGE

Further losses as trading increases

By Terry Byland, UK Stock Market Editor

THE HEAVIEST day's trading in London equities since just after the re-election of the Conservative government early in April saw the FT-SE Index shed a further 22 points yesterday, bringing the 2,600 mark into closer perspective.

Disappointing reports on the domestic economy finally took second place to worries over Wall Street following the latest data on US retail sales and producer prices. Concern over the outlook for UK equities was also fuelled by reports of increased political tensions at Westminster regarding the Maastricht treaty.

Nervousness in the market was heightened as a series of very large share deals moved across the trading screens. At least two substantial trading programmes were reported, the first worth nearly £100m in two-way activity, and the second about £30m, also matched between buy and sell orders.

There was very heavy business in Midland Bank shares as many arbitrageurs decided to bite the bullet and take losses on the large holdings built up when it still seemed possible that a counter-bid by Lloyds Bank might force higher bid terms from Hongkong & Shanghai Banking. There were reports of substantial losses by some securities houses. Traders also had to grapple with increased activity in British Steel, British Airways and Glaxo.

Account Dealing Dates		
*First Dealings:		
Jun 1	Jun 15	Jun 29
Option Declarations:		
June 11	Jun 25	Jul 9
Last Dealings:		
Jun 12	Jun 26	Jul 10
Account Day:		
Jun 22	Jul 6	Jul 20

*New-time dealings may take place from 8.30 am two business days earlier.

The general nervousness focused itself around the prospects for the next expiry of the stock index future contract in the middle of this month. Futures expiries have traditionally created presures on share prices as the big securities houses struggle to balance their positions in futures contracts and the underlying blue chip shares.

Traders believe that large bull positions built up in futures in the weeks following the general election could make the expiry settlement difficult.

Although the market made little further move in the second half of the session, there was hardly any recovery in the FT-SE Index which closed 22 points down at 2,614.1. The mood was gloomy, and several strategists forecast that the Footsie 2,600 mark could come under pressure if Wall Street, showing a fall of 15 Dow points in London trading hours, continued to give way.

Store and retail stocks gave ground after the latest survey of distributive trades by the Confederation of British Industry (CBI) had indicated a slowdown in retail sales in May, reversing the post-election uptick.

Most of the fund management core stocks came under pressure, with ICI, Glaxo, Reuters and Wellcome all recording sharp falls. The building and construction sector suffered a further setback as equity analysts digested the latest developments at Regalian, one of Britain's best-known property groups, where the accounts were qualified by the auditors in view of the "very considerable uncertainty" affecting property markets.

By the end of the day, the stock market was sounding somewhat demoralised, and was beset by renewed hints that a large rights issue might be pending.

Heavy deals in Midland

THE Midland Bank takeover saga was taken a step further yesterday when Hongkong & Shanghai Banking was believed to have purchased two large blocks of Midland stock.

Dealers said that the two blocks, one of 9m shares and another 7.9m, were recorded on the Seaq ticker as having traded at 420¼p and 422p.

James Capel, the leading UK agency broker owned by Hongkong & Shanghai Banking, was said to have bought the shares on behalf of the Hong Kong bank. Hongkong Banking recently said it held a 17.74 per cent stake in Midland.

It was said in the market that the 17m shares represented the last of the arbitrageurs, who had bought Midland stock in the hope that the takeover battle between Hongkong Banking and Lloyds developing, selling their stock. There were also hints that the stock had come from the Kuwait Investment Office which sold the major part of a 10.5 per cent stake in Midland at the end of April.

Midland shares dipped 6 to 422p, after 420p, after details of the share purchases became known. Turnover in Midland reached 42m.

Glaxo setback

County NatWest, the securities house, appeared to be largely responsible for a bout of hefty selling pressure on Glaxo shares which fell sharply to close a net 27 off at 711p on exceptionally heavy turnover of 8.2m shares.

County's pharmaceuticals team published a research note suggesting that the UK Committee on Safety of Medicines has received a number of adverse drug reaction reports, associating the usage of Imigran, Glaxo's new migraine drug, with chest pain.

The County analysts said that even if Imigran was to prove a commercial disappointment, Glaxo's size and flexibility in expenditure growth rate would limit the impact on earnings growth. "Any marked underperformance from this development could leave the shares at very attractive levels," County said.

Airways firmer

The view that the price war between international airlines on some US routes would not hurt British Airways substantially helped the shares buck the market trend.

The shares ended 7 up at 275p, having been higher on turnover of 7.8m, after the company was reported to have assured City analysts in a series of phone calls that its most lucrative route, between London and New York, was as yet unaffected by the new transatlantic price war which started earlier this week. The effect on routes where the price war has already started was said to be negligible

The shares lost ground earlier in the week as US airlines announced they were cutting the ticket prices on several routes from the US to Europe. But Mr Christopher Will at Lehman Brothers said: "The important thing is that fares are not being cut between JFK and Heathrow which is the really profitable route."

Welsh Water shares substantially underperformed the rest of the water issues after its preliminary figures revealed disappointing results, especially from the company's diversification away from its core water business. By the close Welsh Water shares were 16 lower at 451p.

Mr Robert Miller-Bakewell, water company specialist at County NatWest, described the shares as a straight sell and warned of a below average dividend increase for the current year.

Bank shares were unsettled by news that Standard & Poor's (S & P) had downgraded its long term debt ratings for Barclays, NatWest and Royal Bank of Scotland. S & P said it had shifted its ratings because of the prolonged recession and its impact on the banks' balance sheets.

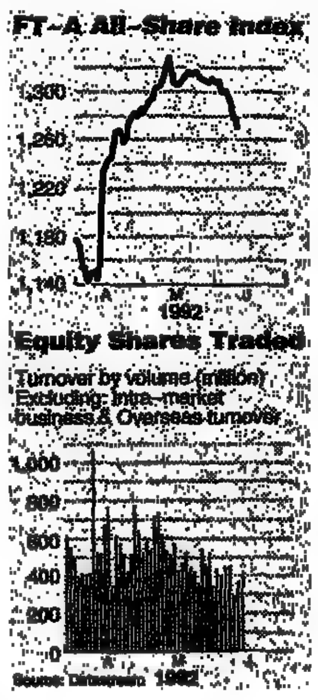
Barclays dropped 5 to 349p, NatWest the same amount to 338p and Royal Bank eased a shade to 197p.

Smith New Court's excellent figures – profits surged from £7.6m to £18.4m on the back of its involvement in numerous big market deals including Hanson's purchase of a 2.8 per cent stake in ICI – saw the shares edge up 2 to 130p.

British Land provided some relief for a battered property sector. The shares rose 10 to 214p after the company announced a 7.4 per cent rise in profits to £33.3m, and a 10.4 per cent higher dividend of 6.35p.

Troubled jewellery chain Ratners gained ¾ to 14¼p, on turnover of 2.4m shares, after announcing the sale of its Watches of Switzerland subsidiary to unlisted securities company Asprey, down 2 at 263p.

Fears that lower prices will be required to encourage consumer spending hit some leading high street stores. The CBI's monthly survey of the distributive trades showed sales slowed in May, while there is also concern about the impact of a price war in the DIY sector. Kingfisher, the B&Q holding company, slipped 5 to 515p.

Devenish lost 12 to 269p, but according to analysts is still likely to receive a bid from Boddington, unchanged at 181p, when the Northern brewer is free to renew its offer in about a week's time, after last year's failed takeover attempt.

Turnover in British Steel soared to 19m following two big trades in the course of the session. A block of 7.4m was done at 70½p, while another 9m went through at 71.1p. The company's broker UBS Phillips & Drew were said to have had a big seller of stock. The shares retreated 3 to 73p.

Wednesday's meeting and dinner at Hoare Govett, which was addressed by the new chairman of British Aerospace left investors concerned about the outlook for the company. The main worries centre on the future of the regional aircraft division, which could force the company to make substantial provisions. This led to fears for the company's profits and dividend. The shares responded by falling 13 to 319p, on turnover of 2.7m.

Mr Brian Newman at Henderson Crosthwaite said: "The proposed merger between Fokker and DASA will leave BAe's regional aircraft division loss-making and isolated. This is the major strategic issue which the new management team need to resolve."

Oxford Instruments dropped 25 to 229p following the figures. Blick, on the other hand, jumped 16 to 414p in the wake of the 32 per cent profits improvement.

The Kalon bid for Manders saw the latter's shares spiral upwards to close 54 firmer at 291p and the former ease 2¼ to 108p.

Hints that ECC, formerly English China Clays, had indicated to a number of analysts that their forecasts were too high, prompted a flurry of selling which left the shares 13 weaker at 533p.

MARKET REPORTERS:
Steve Thompson
Joel Kibazo,
Colin Millham.

■ Other market statistics, Page 25.

FINANCIAL TIMES STOCK INDICES

	June 11	June 10	June 9	June 8	June 5	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	88.71	88.63	88.80	88.70	88.86	83.93	89.62 (29/5)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	104.44	104.49	104.53	104.63	105.07	92.94	105.92 (2/6)	97.15 (2/1)	105.92 (2/6/92)	50.53 (3/1/75)
Ordinary Share	2039.5	2057.3	2056.6	2057.3	2077.4	1973.3	2149.7 (22/5)	1851.4 (3/4)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	103.1	103.6	104.7	105.5	104.9	207.9	160.6 (10/1)	103.1 (11/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2614.1	2636.1	2635.4	2645.8	2668.5	2520.2	2737.8 (11/5)	2382.7 (3/4)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1207.41	1218.14	1218.45	1222.98‡	1228.02	1161.07	1248.79 (11/5)	1120.52 (8/1)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord. Div. Yield	4.54	4.50	4.51	4.49	4.46	4.83				
●Earning Yld %(full)	6.66	6.59	6.60	6.58	6.52	8.53				
●P/E Ratio(Net)(☆)	18.61	18.89	18.97	19.01	19.19	14.45				
SEAQ Bargns 5.00pm	22,751	22,156	22,802	22,545	24,699	25,724				
Equity Turnover(£m)†	-	853.1	1010.5	772.6	1178.5	960.82				
Equity Bargains†	-	25,806	24,641	25,367	27,135	25,324				
Shares Traded (ml)†	-	417.7	384.9	297.9	452.8	414.8				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 17.45 ‡ Partial.

Ordinary Share Index, Hourly changes Day's High 2054.0 Day's Low 2037.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2049.7	2052.4	2046.2	2048.8	2044.7	2044.1	2038.1	2038.5	2040.6

FT-SE 100, Hourly changes Day's High 2631.3 Day's Low 2610.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2627.1	2628.4	2622.6	2621.5	2616.2	2616.5	2611.3	2611.0	2613.7

FT-SE Eurotrack 200, Hourly changes Day's High 1212.94 Day's Low 1204.38

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1212.32	1212.06	1210.49	1208.47	1208.07	1204.99	1204.88

GILT EDGED ACTIVITY

Indices*	June 11	June 9
Gilt Edged Bargains	95.5	97.1
5–Day average	96.6	99.3

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	211	463	−33	Comm. Union	384	480	−7	Lucas	1,000	125	−6	Shell Transport	1,400	513	
ASDA Group	12,000	34¼	+1	Cookson	994	153	−3	MB Caradon	3,000	282	+6	Siebe	833	710	−8
Abbey National	2,500	285	−1	Courtaulds	2,100	546		MEPC	476	309	+2	Slough Ests	380	183	
Albert Fisher	258	73		Dalgety	1,000	424	+6	Manweb	241	348	−1	Smith (W.H.) A	834	467	−1
Allied-Lyons	1,600	653		De La Rue	440	575	−6	Marks & Spencer	2,800	325		Smith & Nephew	1,100	147½	−½
Amstrad	3,800	40½	+1½	Dixons	1,200	207	−4	Midland Bank	42,000	422	−6	SmKl Beecham	1,900	873	−4
Anglian Water	3,100	427	−2	Eastern Elect.	870	273		Midlands Elec.	487	308	+2	SmKl Beecham Uts.	182	[illegible]	−30
Argos	165	297	−2	East Midland Elec.	1,900	288	+5	NFC	2,300	253	−6	Southn Inds.	1,300	304	+2
Argyll Group	2,700	353	−2	Eng China Clays	951	538	−13	NatWest Bank	3,300	338	−5	Southern Elect.	165	283	+2
Arjo Wiggins	1,100	288	−3	Enterprise Oil	278	416	−2	National Power	1,000	237	−2	South Wales Elect.	113	386	+5
Ass. Brit. Foods	149	444		Eurotunnel Units	1,000	345	−10	Next	1,600	60½		South West Water	1,100	407	−2
[illegible]															
British Land	5,200	214	+10	ICI	780	1292	−13	Rolls Royce	1,600	164½		Utd. Newspapers	794	[illegible]	−2
BP	5,200	271	−1	Inchcape	3,100	[illegible]	+2	Rothmans	389	[illegible]	+12	Vodafone	3,100	[illegible]	[illegible]
British Steel	19,000	73½	−2½	Kingfisher	1,300	515	−5	Ryl Bk Scotland	2,800	197	−½	Warburg (SG)	145	[illegible]	−4
British Telecom	4,400	[illegible]		Kwik Save	643	[illegible]	+4	Royal Insurance	846	244	−6	Wellcome	2,300	[illegible]	−17
Br. Telecom New	2,100	[illegible]		Ladbroke	2,500	[illegible]	−3	Saatchi	7,300	15½	−1	Welsh Water	1,200	451	−16
Bunzl	267	109	−1	Land Securities	1,200	405	+2	Sainsbury	5,100	467	−9	Wessex Water	114	500	−5
Burmah Castrol	304	687	−2	Laporte	1,300	600	+3	Scottish & New.	1,400	450	−5	Whitbread 'A'	1,500	[illegible]	−1
Burton	5,800	51½	+1	Legal & General	430	[illegible]	−6	Scot. Hydro-Elect.	1,900	180		Williams Hldgs.	3,400	318	−9
Cable & Wire.	3,200	[illegible]	−7	Lloyds Abbey	181	[illegible]	−7	Scottish Power	3,500	181		Willis Corroon	217	[illegible]	−5
Cadbury Schweppes	2,800	461		Lloyds Bank	2,000	435	−5	Sears	6,100	[illegible]	+3	Wimpey	93	185	−3
Calor Group	281	[illegible]	−3	LASMO	2,800	185	−2	Sedgwick	65	211	−2	Wolseley	12	412	−2
Carlton Comms.	600	[illegible]	−2	London Elec.	433	308	+1	Seeboard	88	318	+1	Yorkshire Elect.	794	[illegible]	+2
Coats Viyella	1,600	[illegible]	−3	Lonrho	2,400	[illegible]		Severn Trent Water	386	392	+2	Yorkshire Water	1,100	465	−2

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

STOCK index futures retreated on the back of the overnight falls on Wall street, though turnover was greatly improved on recent levels, writes Joel Kibazo.

The June contract on the FT-SE started the session at around the 2,640 level and immediately saw selling activity which sent it falling to 2,623 by 10am, and helped send the underlying cash market lower.

The poor distributive sales survey from the CBI only served to increased the downward pressure on June, but nerves steadied mid session and a bout of sideways trading followed thereafter. However the poor opening on Wall Street once again led dealers to sell the contract, though a feeling that earlier falls had been overdone helped June recover towards the close of the market. June closed at 2,629, down 20 on the previous session but around 10 points above its estimated fair value premium of about 6. Notably, the contract spent much of the session at a premium to fair value. Turnover was a healthy 10,025 contracts.

The turnover in the traded options also saw a big improvement on recent levels. A total of 37,662 contracts had changed hands by the close. The FT-SE option traded 19,715 lots. Glaxo was the busiest stock option with a day's total of 1,838.

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thu Jun 11 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Wed Jun 10 Index No.	Tue Jun 9 Index No.	Mon Jun 8 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (179)	864.43	−1.1	6.66	5.33	19.48	15.19	873.84	873.38	877.86	833.16
2 Building Materials (22)	987.31	−1.1	5.67	5.68	23.69	19.03	998.31	1002.98	1006.79	1059.95
3 Contracting, Construction (28)	937.50	−1.2	3.80	6.44	55.89	24.60	948.99	954.71	969.54	1284.43
4 Electricals (8)	2609.15	−1.6	6.61	3.91	19.67	68.82	2650.48	2642.94	2658.89	2395.14
5 Electronics (29)	1983.39	−0.6	8.06	4.30	15.63	7.29	1994.85	1975.42	1988.17	1737.71
6 Engineering-Aerospace (7)	377.59	−1.2	9.65	6.90	13.11	11.16	382.27	378.90	378.52	422.06
7 Engineering-General (44)	548.89	−1.0	7.29	4.33	17.05	8.24	554.41	555.26	557.61	450.01
8 Metals and Metal Forming (8)	344.92	−1.1	0.80	10.04	–	2.03	348.72	357.30	358.42	465.93
9 Motors (14)	366.67	−2.3	7.24	6.41	18.16	10.04	375.48	374.55	375.67	330.05
10 Other Industrial Materials (19)	1777.36	−1.0	6.97	4.66	17.29	33.79	1794.94	1790.61	1800.27	1529.21
21 CONSUMER GROUP (188)	1674.77	−0.9	7.29	3.44	16.86	20.48	1690.63	1687.37	1689.94	1476.42
22 Brewers and Distillers (24)	2172.50	−0.3	7.73	3.41	15.60	26.21	2178.92	2170.91	2178.39	1830.58
25 Food Manufacturing (17)	1283.14	−0.2	8.41	4.10	14.71	21.18	1285.31	1278.72	1276.74	1166.20
26 Food Retailing (18)	2873.18	−0.7	8.44	3.18	15.51	34.95	2894.84	2905.08	2911.54	2739.00
27 Health and Household (24)	3968.66	−2.2	6.95	2.67	16.40	35.91	4056.94	4035.45	4044.64	3460.93
29 Hotels and Leisure (20)	1359.30	−1.0	5.82	4.98	22.26	23.50	1373.07	1376.03	1376.33	1295.10
30 Media (25)	1596.85	−1.4	6.11	3.50	20.38	18.30	1618.74	1618.66	1621.71	1433.16
31 Packaging, Paper & Printing (17)	824.76	−0.9	6.25	4.01	19.42	11.84	832.60	830.60	835.37	698.28
34 Stores (33)	1063.67	−0.2	7.20	3.48	18.36	12.26	1065.83	1066.98	1065.63	912.88
35 Textiles (10)	720.18	−0.4	6.38	4.32	19.78	12.44	722.90	727.53	729.87	561.75
40 OTHER GROUPS (116)	1297.63	−0.5	9.52	5.05	13.12	17.76	1303.65	1307.07	1318.42	1235.74
41 Business Services (17)	1438.64	−0.6	6.80	4.43	18.54	15.14	1446.60	1453.16	1461.72	1221.36
42 Chemicals (22)	1526.18	−0.5	6.99	4.78	17.53	31.75	1534.44	1536.64	1535.88	1377.65
43 Conglomerates (11)	1349.62	−1.1	9.57	7.04	13.05	23.62	1364.19	1354.31	1371.68	1490.81
44 Transport (14)	2650.73	−0.4	7.66	4.42	15.85	40.88	2662.17	2654.44	2671.15	2215.79
45 Electricity (16)	1310.65	......	13.60	5.09	9.36	17.21	1311.12	1318.26	1327.89	1204.28
46 Telephone Networks (4)	1427.26	−0.5	10.75	4.59	12.14	16.02	1434.79	1443.13	1471.50	1495.57
47 Water (10)	2820.79	−0.5	15.48	5.89	7.14	19.52	2834.35	2860.11	2890.98	2349.86
48 Miscellaneous (22)	2061.70	−0.1	5.72	4.78	23.10	22.54	2064.25	2072.29	2069.47	1909.86
49 INDUSTRIAL GROUP (483)	1354.03	−0.8	7.87	4.30	15.84	18.51	1365.15	1364.83	1370.91	1244.12
51 Oil & Gas (17)	2157.55	−0.2	7.03	6.59	18.69	63.69	2161.93	2170.05	2181.59	2368.51
59 500 SHARE INDEX (500)	1428.78	−0.8	7.78	4.54	16.10	21.93	1439.59	1439.85	1446.39	1340.21
61 FINANCIAL GROUP (86)	759.50	−1.1	–	5.97	–	19.04	767.74	766.88	765.00	795.46
62 Banks (9)	961.32	−1.2	5.02	5.68	31.53	24.58	972.93	971.50	975.40	892.27
65 Insurance (Life) (6)	1551.89	−1.6	–	5.74	–	64.26	1577.84	1547.60	1495.89	1501.10
66 Insurance (Composite) (7)	532.89	−1.8	–	6.53	–	13.46	542.61	549.37	540.44	661.06
67 Insurance (Brokers) (10)	943.76	−1.1	8.08	6.91	16.28	25.92	954.19	952.93	967.64	1130.38
68 Merchant Banks (7)	512.01	−0.5	–	4.22	–	8.56	514.80	514.31	514.26	427.20
69 Property (32)	671.52	+0.5	8.73	6.82	15.51	16.55	668.10	667.48	678.61	931.16
70 Other Financial (15)	258.24	−0.4	7.05	6.75	19.25	4.34	259.31	262.26	263.74	280.32
71 Investment Trusts (69)	1200.52	−1.1	–	3.74	–	16.78	1213.58	1217.75	1223.50	1219.59
99 ALL-SHARE INDEX (655)	1268.24	−0.8	–	4.69	–	20.88	1278.43	1278.56	1283.32	1208.74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jun 10	Jun 9	Jun 8	Jun 5	Jun 4	Year ago
FT-SE 100 SHARE INDEX‡	2614.1	−22.0	2631.3	2610.5	2636.1	2635.4	2645.8	2668.5	2681.9	2514.6

FIXED INTEREST

PRICE INDICES	Thu Jun 11	Day's change %	Wed Jun 10	Accrued interest	xd adj. 1992 to date
British Government					
1 Up to 5 years (25)	123.28	+0.07	123.20	2.73	4.85
2 5-15 years (24)	138.56	+0.14	138.37	2.41	6.12
3 Over 15 years (10)	148.48	+0.05	148.40	1.15	6.06
4 Irredeemables (6)	165.28	+0.14	165.06	1.43	6.35
5 All stocks (65)	136.13	+0.10	135.99	2.40	5.79
Index-Linked					
6 Up to 5 years (2)	173.35	+0.17	173.06	0.75	1.83
7 Over 5 years (9)	153.68	+0.33	153.17	1.14	1.80
8 All stocks (11)	155.20	+0.31	154.73	1.08	1.79
9 Debs & Loans (63)	120.54	+0.10	120.43	2.12	5.48

AVERAGE GROSS REDEMPTION YIELDS		Thu Jun 11	Wed Jun 10	Year ago (approx.)
British Government				
1 Low	5 years	8.07	8.12	8.99
2 Coupons	15 years	8.95	8.98	10.09
3 (0%-7¾%)	20 years	8.95	8.99	10.09
4 Medium	5 years	9.21	9.23	10.43
5 Coupons	15 years	9.07	9.08	10.33
6 (8%-10¾%)	20 years	9.05	9.05	10.25
7 High	5 years	9.43	9.44	10.61
8 Coupons	15 years	9.26	9.28	10.48
9 (11%-)	20 years	9.20	9.22	10.36
10 Irredeemables	†	9.21	9.22	10.27
Index-Linked				
11 Inflation rate 5%	Up to 5yrs	3.94	3.98	4.32
12 Inflation rate 5%	Over 5 yrs	4.31	4.33	4.30
13 Inflation rate 10%	Up to 5 yrs	3.26	3.30	3.48
14 Inflation rate 10%	Over 5 yrs	4.14	4.16	4.12
15 Debs &	5 years	10.50	10.52	11.91
16 Loans	15 years	10.34	10.35	11.69
17	25 years	10.23	10.24	11.50

‡Opening index 2627.1; 9 am 2628.4; 10 am 2622.6; 11 am 2621.5; Noon 2616.2; 1 pm 2616.5; 2 pm 2611.3; 2.30 pm 2611.3; 3 pm 2611.0; 4.10 pm 2613.3; (a) 8.44am (b) 2.54pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323. ADDITION: (25) Nichols (JN) (Vimto); DELETION: (06) Dowty; NAME CHANGE (34) Betterware Consumer Products now Betterware.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (44).
BRITISH FUNDS (8) Exch 3pc Gas '90/95, Fdg 3½pc '99-04, Fdg 6pc Ln '93, Treas 2½pc IL 2001, Treas 2½pc IL 2003, Treas 2pc IL '94, Treas 2pc IL '88, Treas 3pc '92. BLDG MATLS (2) Lilleshall, Manders, BUSINESS SERVS (2) Adam & Harvey, Penna. CONTG & CONSTRCN (1) Rubicon, ELECTRICALS (1) LEC Refrigeration, ELECTRONICS (4) Admiral, Blick, Gresham Telecomputing, Racal, ENG GEN (1) Plasmec. FOOD MANUF (2) Cranswick, Nichols (Vimto). [illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Treas 3pc 1992		100xd	+1/16	100	97	3.00	–
Exch 12¼pc 1992		[illegible]		101¼	102	[illegible]	[illegible]
13½pc 1992		[illegible]		102½	100	[illegible]	[illegible]
Treas 8¼pc 1993		[illegible]		99¼	97	8.31	9.24
10pc 1993‡‡		[illegible]		100½	99	9.96	9.45
12½pc 1993‡‡		[illegible]		[illegible]	101	12.11	[illegible]
[illegible]							

BRITISH FUNDS – Cont.

	Notes	Price £	+or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas 10¼pc 1999		[illegible]	+¼	[illegible]	101	9.87	9.20
Conversion 10¼pc 1999		[illegible]	+¼	[illegible]	100	9.72	9.20
9pc 2000‡‡		[illegible]					
9% 2000 C		[illegible]					
Treas 13pc 2000		118¾xd	+¼	121¼	114	[illegible]	9.41
10pc 2001		[illegible]	+¼	[illegible]	[illegible]	9.54	9.15
14pc '98-01		[illegible]	+¼	121	115	11.88	9.51
9¾pc 2002		[illegible]	+¼	[illegible]	[illegible]	[illegible]	9.12
[illegible]							

BRITISH FUNDS – Cont.

	Notes	Price £	+or -	1992 high	1992 low	Yield (1)	Yield (2)
Index – Linked	(b)						
Treas. 2pc '94	(102.9)	127	+¼	127	122¼	2.71	3.96
2pc '96	(67.9)	[illegible]	[illegible]	[illegible]	176½	3.41	4.01
2½pc '01	(78.3)	148¼	[illegible]	148¼	143	4.07	4.38
2½pc '03	(78.8)	144⅛	[illegible]	144⅛	136⅛	4.14	4.40
2pc '06	(69.5)	148¼	[illegible]	[illegible]	138⅛	4.14	4.35
2½pc '09	(78.8)	[illegible]	[illegible]	134¼	126⅛	4.18	4.36
[illegible]							

OTHER FIXED INTEREST

[illegible]

LONDON SHARE SERVICE

AMERICANS

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

	Notes	Price	+or-	1992 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scot National Inc.		94xd	—	107	83¼	12.5	—	—
Cap.		25	-2	42	12½	—	47.0	42.5
Stepped Pf.	1	140½	—	141½	125	8.8	—	—
Zero Div Pf.		105½	+½	106	100½	—	—	—
Warrants		5	-½	9	3½	—	—	—
Scot Value		53½xd	—	64	48	3.8	62.7	0.5
Sec Alliance	†	1213	-20	1288	1138	3.8	1365.4	11.2
Second Market	s	242	—	244	222	6.8	285.6	15.6
Sec Tst Scot		71½	-½	76½	63	6.1	73.8	3.1
Select Assets		92	—	102½	92	1.3	130.0	29.3
Eq Ind SerI		121	-1	123	109	4.7	—	—
Eq Ind SerII		121	-1	123	109	4.7	—	—
Shires		240	—	249	195	10.1	241.3	-3.2
11pc Cv Ln '03/04		£116½	—	£119½	£95½	9.5	—	—
Siam Select		72	-1	91	72	1.8	82.4	11.8
Warrants		14	—	21	14	—	—	—
Smaller Cos.		82	—	95	67	4.1	93.0	11.8
Warrants		10	—	22	10	—	—	—
Sphere Inc.	N	13½	—	29	13½	38.8	21.5	37.1
Zero Div Pf.		76½	—	77½	65½	—	—	—
Warrants		0¼	—	3½	0¼	—	—	—
Stratton		164xd	—	168	147	1.4	185.2	11.5
Candis		55	—	55	38	3.8	109.6	49.8
TR City of Lon.	M	123	-1½	127½	97½	6.2	118.4	-3.9
TR Euro Growth	s	80	—	90	79	1.7	98.0	18.3
Ptg Sub	s	46	—	54	46	2.9	—	—
TR Far East Inc.	M	92	—	96	78	6.4	102.5	10.3
Warrants		20	—	22	12	—	—	—
TR High Inc.		108	-2	110	91	7.4	104.1	-4.7
Sub	q	30	—	30	28	6.7	—	—
TR Pacific	s	91	-2	99	71	8.4	97.5	6.7
TR Prop.		22½	-½	27	20	8.9	31.0	27.4
TR Smaller		140	-2	152	118½	3.5	153.7	8.9
TR Technology	M	31	-1	37	25	8.8	97.8	67.3
Stepped Pf.		102	—	102	89¾	7.2	—	—

INVESTMENT COMPANIES

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's
Kalis Minls [illegible]	23	+2	42	20	6.56	—
Kenmare	3½	—	6½	3½	3.60	—
Minings Res	45	-3	49	30½	4.57	—
Nemon Res	33	[illegible]	35	16	3.58	—
North West Expl A$	5	—	5	2	1.01	—
Oryx Gold $	78	—	105	61	—	—
Oroco Res	8	—	11	5½	0.42	—
Pladets	8	—	13	8	2.73	—
RTZ	614	-6	666	468	6,146	4.2
Vizcaya	1½	-¼	5	1	0.59	—
Western & Pac Cll	45½	+2	86	7	[illegible]	—
Young Grp	21	—	110	4	[illegible]	[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- "Top Stock"
- Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.

v Subject to local tax. z Dividend yield includes a special payment. E Minimum tender price. F Yield based on prospectus or other official estimates for 1990-91. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1991. K Yield based on prospectus or other official estimates for 1992-93. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other

official estimates for 1991-92. N Yield based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1991. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xn ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AIB Unit Trust Managers Limited (1600)F

Abbey Unit Tst Mngrs (1000)H

Aberforth Unit Trust Managers Ltd (1600)F

Abtrust Unit Trust Managers Ltd (1200)H

Brown Shipley & Co Ltd – Contd.

Bryomt Unit Tst Mngmt Ltd (1400)F

Buckmaster Mangmt Co Ltd (1200)H

Burrage Unit Tst Mangmt Ltd (0905)F

CCL Unit Trusts Ltd (1400)F

CIS Unit Managers Ltd (1000)F

Canada Life Unit Tst Mgrs Ltd (1200)F

Cannon Fund Managers Ltd (0630)H

Mercury Fund Managers Ltd (1000)H

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

[illegible]

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	Bid Price	Offer Price	+ or -	Yield Gross
Ex European June 11	1102	1115	-15	3.22
Ex Nth Amer June 11	1036	1046	-33	4.56
Ex Pac Basin June 11	645	654	-12	3.20
Ex Sstr Cos Inc June 11	1544	1631	-8	4.60
Ex Sstr Cos Acc June 11	1620	1711	-9	4.60

Stewart Ivory & Co Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Salvus PPP May 14	318.4	336.2	.....	-

Closed to new business

Thornton Unit Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Exempt Jun 1	106.15	111.53	.....	3.73
(Accum Units)	112.64	118.36	.....	3.71

For Touche Rem see Societe Gen Touche Rem

INSURANCES

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	+ or -	Yield Gross
Prop. Ser. 1	263.5	277.4		-
Equity Ser. 1	143.9	151.5	-1.3	-
Prop. Acc. Ser 2	448.1	471.7		-
Equity Ser 2	176.4	185.7	-1.5	-
Selective Acc. Ser 2	389.8	410.4	-1.2	-
Prop. Ser. 4	356.1	374.9		-
Equity Ser. 4	177.4	186.8	-1.1	-
Man. Ser. 4	496.9	523.1	-2.0	-
Fixed Int. Ser. 4	287.9	303.1	+0.5	-
Indexed Inv. Ser. 4	168.0	176.9		-
American Ser. 4	350.9	369.4	[illegible]	-
Japan Ser 4	238.5	251.1	-0.6	-
European Ser 4	116.7	122.9		-
High Inc. Ser. 4	516.4	543.6	[illegible]	-
Money Ser. 4	295.5	311.1		-
Intl Ser. 4	119.3	125.6	-0.3	-
Custodian Ser. 4	123.9	130.5	-0.1	-
Asian Pacific	107.9	113.6	-0.3	-
Ethical	110.6	116.5	-0.3	-
Pension Funds				
Property	652.3	686.7		-
Equity	1316.8	1386.2	-10.5	-
Selective	435.0	457.9	-1.7	-
Managed	992.3	1044.6	-4.8	-
Security	621.3	654.6		-
Fixed Int	360.1	379.1	+0.6	-
Indexed	186.0	195.8	+0.1	-
American	299.9	315.7	-3.3	-
Japan	241.4	254.2	-0.6	-
European	170.8	179.8		-
High Income	148.0	155.8	-3.7	-
Ethical	154.9	163.1	-0.4	-
International	222.6	234.4	-0.5	-

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

Pearl Assurance (Unit Funds) Ltd

Provident Mutual Life Assc. Assn.

Scottish Amicable

Sun Alliance Group

Wesleyan Assurance Society

Providence Capital International Ltd

J. D. Ward Financial Services Ltd

Rothschild Asset Management

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

ISLE OF MAN (REGULATED)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

FOREIGN EXCHANGES

Dollar slips on poor sales data

The dollar slid sharply against the D-Mark in late European trading yesterday after poor inflation and retail sales data exacerbated dealers' worries about the scope of the US economic recovery, *writes James Blitz.*

The dollar slipped nearly two pfennigs to DM1.5755 after May's retail sales figures showed a rise of just 0.2 per cent. A 0.7 per cent rise had been expected. The producer price index for May was also disappointing for dollar holders, showing an overall rise of 0.4 per cent when the market was expecting a 0.3 per cent rise.

Although the dollar recovered later on, it closed in London at DM1.5790 compared to a previous close of DM1.5930. "Economic fundamentals are still underpinning the dollar in the longer term," said Mr Michael Feeny of Sumitomo Bank in London. "But if you are buying the dollar, you still have to account for the huge cost of carry because of low US interest rates."

The D-Mark's gains against the dollar were mirrored in Europe after Mr Theo Waigel, the German finance Minister, reiterated Germany's criticisms of the terms for European monetary union (Emu). He told a German newspaper that the plan to increase the European community budget by one third by 1997 was "unacceptable," and this boosted the D-Mark against most European currencies.

This was compounded by other indications that European Monetary convergence is in difficulty. Germany's federal states threatened to reject the Maastricht treaty; Britain's newspapers carried stories that Mr John Major's commitment to Emu has weakened considerably; and France's senate seriously complicated its government's efforts to hasten ratification of the treaty, by adopting an amendment aimed at restricting EC legislation.

That last factor ensured that the French franc was the biggest loser of the day, closing at FFr3.3690 to the D-Mark compared to a previous close of FFr3.3670. Sterling also lost ground again to the D-Mark, closing at DM2.9150 from a previous finish of DM2.9220. It was also bottom of the European Monetary System grid once again.

The Italian lira ended weaker again at Lira756.40 to the D-Mark from a previous finish of Lira755.8. The Bank of Spain tried to stem the peseta's losses by intervening to buy its currency in the morning at Pta63.04. It's success was only limited. The peseta ended the day at Pta63.09 to the D-Mark from a previous close of Pta62.91.

The yen rose against the dollar after Mr David Mulford, the US Treasury Undersecretary, said that the yen's recent rise had been "appropriate." The dollar closed at Y126.80 from a previous close of Y127.50.

£ IN NEW YORK

June 11	Latest	Previous Close
£ Spot	1.8485-1.8495	1.8350-1.8360
1 month	0.91-0.89pm	0.93-0.91pm
3 months	2.69-2.66pm	2.75-2.72pm
12 months	8.95-8.85pm	8.95-8.85pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	June 11	Previous
8.30 am	92.6	92.6
9.00 am	92.6	92.6
10.00 am	92.6	92.6
11.00 am	92.6	92.6
Noon	92.6	92.6
1.00 pm	92.6	92.6
2.00 pm	92.5	92.6
3.00 pm	92.6	92.6
4.00 pm	92.7	92.7

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jun 11	% Change from Central Rate	% Spread v. Weakest Currency	Divergence Indicator
Portuguese Escudo	178.735	170.387	-4.67	5.65	77
Spanish Peseta	133.631	129.184	-3.33	4.36	57
Belgian Franc	42.4032	42.1970	-0.49	1.38	25
Dutch Guilder	2.31643	2.30926	-0.31	1.20	17
D-Mark	[illegible]	2.05021	-0.27	1.16	19
Irish Punt	0.767417	0.767799	0.05	[illegible]	-3
French Franc	6.89509	6.90560	0.15	0.73	-7
Danish Krone	7.84195	7.90556	0.81	0.07	[illegible]
Sterling	0.696904	0.702999	0.87	0.01	-19
Italian Lira	1538.24	1551.84	0.88	0.00	[illegible]

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Jun 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8330 - 1.8470	1.8485 - 1.8495	0.91-0.89cpm	5.85	2.67-2.64pm	5.75
Canada	2.1890 - 2.2040	2.2015 - 2.2025	0.71-0.67cpm	3.76	1.49-1.42pm	2.64
Netherlands	3.2775 - 3.2900	3.2775 - 3.2875	¼-parcpm	0.23	[illegible]	0.30
Belgium	59.90 - 60.15	59.95 - 60.05	3-2cpm	0.50	7-1pm	0.27
Denmark	11.2275 - 11.2650	11.2375 - 11.2475	[illegible]	-1.47	[illegible]	-0.74
Ireland	1.0910 - 1.0935	1.0920 - 1.0930	0.02dis-0.01pm	-0.05	0.06dis-0.01pm	-0.09
Germany	2.9100 - 2.9200	2.9125 - 2.9175	¼-parpfpm	0.26	[illegible]	0.07
Portugal	241.45 - [illegible]	241.75 - 242.75	[illegible]	-8.20	[illegible]	-7.38
Spain	183.45 - 184.15	183.75 - 184.05	34-47cdis	-2.64	119-136dis	-2.77
Italy	2202.00 - 2209.75	2204.50 - 2205.50	[illegible]	-3.81	17-20dis	-3.36
Norway	11.3900 - 11.4200	11.4075 - 11.4175	[illegible]	-0.93	[illegible]	-0.44

[illegible]

CURRENCY MOVEMENTS

[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). *Rates are for June 10

CURRENCY RATES

[illegible]

OTHER CURRENCIES

Jun 11	£	$
Kuwait	0.53425 - 0.53530	0.29075 - 0.29125
Luxembourg	59.95 - 60.05	32.45 - 32.55
Malaysia	4.6265 - 4.6380	2.5130 - 2.5180
Mexico	5548.35 - 5560.55	3117.50 - 3118.50
N Zealand	3.3910 - 3.3950	1.8415 - 1.8435
Saudi Ar.	6.8430 - 6.9200	3.7495 - 3.7505
Singapore	2.9860 - 2.9970	1.6250 - 1.6270
S Af (Cm)	5.1085 - 5.1945	2.8170 - 2.8190
S Af (Fn)	6.4040 - 6.5190	3.5210 - 3.5400
Taiwan	45.50 - 45.60	24.70 - 24.80
U.A.E.	6.7005 - 6.7775	3.6715 - 3.6735

*Floating rate. Iran Official rate:£119.10 $65.50

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

MONEY MARKETS

Short rates softer

SHORT rates in the sterling cash market were slightly softer yesterday after the Bank of England forecast a shortage of only £100m in its morning operations.

The overnight rate dropped to 9½ per cent from yesterday's close of around 10 per cent, after the Bank announced the small shortage. It later dropped further to a low of 8½ per cent, but closed at 9¼ per cent. 1-month sterling libor ended at 9⅞ per cent from a previous close of 9$\frac{15}{16}$ per cent. Everything from 2-month to 3-month sterling libor ended down $\frac{1}{16}$ per cent at 9$\frac{13}{16}$ per cent on the day.

Traders said that the softening of rates was due to purely technical factors. However, the market appears to have shrugged off the temptation to be bearish about base rates after sterling dropped nearly ¾ of a pfennig on the foreign exchange markets.

One discount house dealer said he was surprised that longer term rates for sterling libor were softer following sterling's losses. Another trader said that the market was so dead yesterday that it would have been hard for any factor to move it significantly one way or the other.

The market's attention is now focused on the big shortages that will arise in the next fortnight as the second quarter comes to an end. Yesterday, traders were positioning themselves for the much tighter credit conditions expected next week. 1-week and 2-week money was keenly bid, and short-dated paper was sold with the aim of buying it back in due course at higher rates.

The market waited until the afternoon to take out the shortage. The Bank purchased £22m of Band-1 bank bills at 9⅞ per cent and £100m of Band-2 bank bills also at 9⅞ per cent.

Sterling futures were mostly unchanged. The September contract closed at 90.23, up one tick. This reflects the market's view that 3-month sterling libor in September will be at 9.77 per cent. December sterling ended the day unchanged at 90.48, reflecting the view that 3-month libor will be at 9.52 per cent by the end of the year.

Some traders still see these figures as rather bearish over base rates, with the market barely discounting a ¼ per cent cut between now and the end of the year.

UK clearing bank base lending rate 10 per cent from May 5, 1992

FT LONDON INTERBANK FIXING

(11.00 a.m. June 11) 3 months US dollars; 6 months US Dollars

[illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

[illegible]

LONDON MONEY RATES

[illegible]

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE EUROMARK OPTIONS; LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS; LIFFE SHORT STERLING OPTIONS

[illegible]

LONDON (LIFFE)

28-YEAR 9% NOTIONAL GILT

	Close	High	Low	Prev.
Jun	97-27	97-17	97-13	97-21
Sep	98-01	98-03	97-17	97-28

Estimated volume 36693 (33209)
Previous day's open int. 66721 (67618)

US TREASURY BONDS 8% *
$100,000 32nds of 100%

	Close	High	Low	Prev.
Jun	100-18	100-18	100-05	100-10
Sep	99-13	99-14	98-30	99-05

Estimated volume 1463 (2008)
Previous day's open int. 2060 (2040)

6% NOTIONAL GERMAN GOVT. BOND *
DM250,000 100ths of 100%

	Close	High	Low	Prev.
Sep	88.38	88.41	88.17	88.32
Dec	88.72			88.66

Estimated volume 45186 (47249)
Previous day's open int. 103021 (100297)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low
Sep	102.00	102.00	101.90
Dec	101.60		

Estimated volume 925 (611)
Traded exclusively on APT

9% NOTIONAL ECU BOND
ECU 200,000 100ths of 100%

	Close	High	Low	Prev.
Sep	99.77			99.77
N				
A				

Estimated volume 0 (0)
Previous day's open int. 0 (0)

12% NOTIONAL ITALIAN GOVT. BOND (BTP) *
LIRA 200m 100ths of 100%

	Close	High	Low	Prev.
Sep	95.87	96.14	95.60	96.09
Dec	96.02			96.24

Estimated volume 33521 (38989)
Previous day's open int. 40158 (40094)

THREE MONTH STERLING; THREE MONTH EURODOLLAR; THREE MONTH EUROMARK; THREE MONTH ECU; THREE MONTH EURO SWISS FRANC; THREE MONTH EUROLIRA INT. RATE; FT-SE 100 INDEX

[illegible]

* Contracts traded on APT. Closing prices shown.

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev.
Jun	100-16	100-18	99-29	100-08
Sep	99-12	99-14	98-25	99-04
Dec	98-10	98-10	97-22	98-00
Mar	97-05	97-08	97-05	97-00
Jun	96-05	96-10	96-05	96-02
Sep	95-07	-	-	95-07
Dec	94-14	-	-	94-14
Mar	93-23	-	-	93-23
Jun	93-02	-	-	93-02
Sep	92-15	-	-	92-15

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Jun	96.31	96.31	96.27	96.29
Sep	96.16	96.17	96.10	96.13
Dec	95.75	95.75	95.67	95.71
Mar	95.51	95.58	95.51	95.56

BRITISH POUND (IMM)
$s per £

	Latest	High	Low	Prev
Jun	1.8396	1.8404	1.8320	1.8310
Sep	1.8124	1.8140	1.8064	1.8050
Dec	1.7846	1.7860	1.7820	1.7810

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Jun	0.6942	0.6952	0.6900	0.6874
Sep	0.6848	0.6860	0.6808	0.6785
Dec	0.6729	0.6780	0.6729	0.6709

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep
1.750	8.40	8.45	8.40	8.30
1.775	6.00	6.00	6.09	6.19
1.800	3.48	3.79	4.19	4.48
1.825	1.26	2.15	2.73	3.11
1.850	0.12	1.08	1.74	2.17
1.875	-	0.46	1.02	1.39
1.900	-	0.14	0.55	0.86

Previous day's open int: Calls 338,613 Puts 548,272 (All currencies)

JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); THREE-MONTH EURODOLLAR (IMM); STANDARD & POORS 500 INDEX

[illegible]

PARIS

7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES; THREE-MONTH PIBOR FUTURES (MATIF); CAC-40 FUTURES (MATIF); ECU BOND (MATIF)

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
106	1.80	-	-	0.28	0.54	-
107	1.07	1.56	-	0.55	[illegible]	-
108	0.58	1.04	-	1.00	1.29	-
109	0.26	0.65	0.97	1.67	1.86	2.03
110	0.09	0.38	-	-	-	-
111	0.04	-	-	-	-	-
Open Int.	65,873	22,378	300	61,033	20,252	300

Estimated volume 66,839 Total Open Interest 170,133

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Duncan Lawrie	10	Mount Banking	10
● Henry Ansbacher	10	Equatorial Bank plc	10	NatWestminster	10
B & C Merchant Bank	10.5	Exeter Bank Limited	10.5	Northern Bank Ltd	10
Bank of Baroda	10	Financial & Gen. Bank	10	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	● Robert Fleming & Co.	10	Provincial Bank PLC	14
Bank of Cyprus	10	Robert Fraser & Ptnrs.	10.5	● Rea Brothers	10
Bank of Ireland	10	Girobank	10	Roxburghe Bank Ltd.	11
Bank of India	10	● Guinness Mahon	10	Royal Bk of Scotland	10
Bank of Scotland	10	Habib Bank A.G. Zurich	10	● Smith & Williamson Secs.	10
Banque Belge Ltd	10	● Hambros Bank	10	Standard Chartered	10
Barclays Bank	10	Hampshire Trust Plc	13.5	TSB	10
Benchmark Bank	11	Heritable & Gen Inv Bnk.	10	Unibank plc	10
Brit Bk of Mid East	10	● Hill Samuel	10	● United Bk of Kuwait	10
● Brown Shipley	10	C. Hoare & Co.	10	Unity Trust Bank Plc	10
CL Bank Nederland	10	Hongkong & Shanghai	10	Western Trust	10
Citibank NA	10	Julian Hodge Bank	10	Whiteaway Laidlaw	10
City Merchants Bank	10	● Leopold Joseph & Sons	10	Yorkshire Bank	10
Clydesdale Bank	10	Lloyds Bank	10		
Co-operative Bank	10	Meghraj Bank Ltd	10		
Coutts & Co	10				

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

Confederation Bank Limited, PO Box 104, Primett Rd, Stevenage 0438 744500

Co-operative Bank, PO Box 300, Skelmersdale, Lancs 0800 616162

Wimbledon & South West Finance PLC, 114 Newgate St, London EC1 7AE 071-606 9485

Notes: Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

CROSSWORD

No.7,871 Set by HIGHLANDER

ACROSS

1 Religious masses repulsed by pilot's scatter gun (6)
4 Adds up aloud: the chap has charm (8)
10 Held up en route, left to get help (7)
11 Bloodsucker was the first to be amused (7)
12 Turn darts over (4)
13 There's a blank space in front of one, so put in African lily (10)
15 When pressed, they issue a certain amount for eyes (6)
16 Put down to a historical writer (7)
20 Get quite drunk before the French drink (7)
21 Unemotional but firm – about time! (6)
24 Advertising conventional look by word of mouth (10)
26 Every producer in California starts making adventure film (4)
28 Hit by pianist in the teeth (7)
29 Effective head is pragmatic person (7)
30 New oriental line in decorative foliage (8)
31 Hit with a strap (6)

DOWN

1 Men on board move quickly to take uncle's place (8)
2 Speak sparingly; for example tell it in bits (3,6)
3 Old character sounded fine (4)
5 Stop Etna erupting before numbers are put up (4-4)
6 Reduce to ashes and inter – a nice disposal (10)
7 Lift each clump, including something to enrich the soil (5)
8 Name is mud – resorted to doing without clothes (6)
9 Saw notice: overtime! (5)
14 Fresh cocoa put in post (10)
17 Writer shot fielder (9)
18 Disinfectant is more hygienic round the bend (8)
19 River rises, covering old coin that's brought up (8)
22 Leap year, partly (6)
23 Commotion gets the Navy on deck (5)
25 Clean air unit carries little weight (5)
27 Keep in attendance (4)

Solution to Puzzle No.7,870

WORLD STOCK MARKETS

CANADA

TORONTO

3:00 pm prices June 11

Total Sales 10,684,300 shares

MONTREAL

3:00 pm prices June 11

INDICES

NEW YORK

DOW JONES	Jun 10	Jun 9	Jun 8	Jun 5	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3393.22	3389.92	3404.14	3398.69	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	99.74	99.66	99.96	99.86	100.17 (19/5)	98.41 (20/3)	100.17 (19/5/92)	54.99 (1/10/81)
Transport	1335.01	1360.80	1388.64	1387.89	1467.68 (20/2)	1301.57 (8/4)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	213.45	213.01	213.19	211.38	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3385.73 (3412.95) Low 3328.96 (3360.22)

STANDARD AND POOR'S

	Jun 10	Jun 9	Jun 8	Jun 5	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	407.25	410.06	413.36	413.48	420.77 (15/1)	394.50 (8/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	480.96	484.64	488.51	489.56	499.27 (15/1)	470.91 (8/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	34.70	34.92	35.34	35.07	35.80 (13/5)	32.40 (8/4)	35.80 (13/5/92)	8.64 (1/10/74)
NYSE Composite	224.36	225.95	227.71	227.88	231.85 (15/1)	217.92 (8/4)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	390.13	393.06	396.43	397.16	418.99 (12/2)	380.98 (8/4)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	569.71	573.80	582.01	585.43	644.92 (12/2)	560.33 (28/4)	644.92 (12/2/92)	54.87 (31/10/72)

	Jun 5	May 29	May 22	year ago (approx.)
Dow Industrial Div. Yield	2.99	2.99	2.92	3.05

	Jun 3	May 27	May 20	year ago (approx.)
S & P Industrial div. yield	2.63	2.65	2.63	2.74
S & P Indl. P/E ratio	28.96	28.77	28.92	19.24

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Telefonos	5,953,400	51⅞	- 2⅛
Browning Ferris	5,549,300	20⅛	- ⅛
Citicorp	3,797,600	19⅛	+ ⅛
Bristol Myers	3,100,800	62⅞	- 1⅛
Abbott Labs	2,978,400	27⅛	- ⅛
Amerada Hess	2,466,300	45⅛	+ ⅛
Chrysler	2,291,600	20½	- ⅛
MNC Fin	2,239,300	12⅛	+ 1⅛
Fannie Mae	2,221,200	57	- 1⅛
Gen Instr	2,193,300	15	—

TRADING ACTIVITY

† Volume Millions	Jun 10	Jun 9	Jun 8
New York SE	206.480	190.750	161.110
Amex	8.978	13.848	8.230
NASDAQ	157.025	182.217	129.051
NYSE			
Issues Traded	2,271	2,273	2,263
Rises	573	561	811
Falls	1,139	1,154	867
Unchanged	559	558	585
New Highs	29	43	59
New Lows	38	36	22

CANADA

TORONTO	Jun 10	Jun 9	Jun 8	Jun 5	1992 HIGH	1992 LOW
Metals & Minerals	3170.99	3393.57	3215.12	3202.98	3238.87 (16/1)	2828.26 (8/4)
Composite	3368.60	3386.09	3394.48	3392.56	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1770.09	1784.66	1791.80	1788.70	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jun 11	Jun 10	Jun 9	Jun 8	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1668.1	1665.8	1674.5	(c)	1684.50 (22/5)	1545.30 (9/4)
All Mining (1/1/80)	708.9	709.6	710.2	(c)	717.20 (25/2)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	414.75	414.75	416.25	(c)	458.57 (24/2)	372.24 (2/1)
Traded Index (2/1/91)	995.70	998.06	1002.09	(c)	1099.43 (24/2)	901.64 (2/1)
BELGIUM						
BEL20 (1/1/91)	1209.58	1219.78	1223.88	(c)	1235.40 (2/6)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	325.29	327.89	329.58	(c)	365.29 (15/1)	325.29 (11/6)
FINLAND						
HEX General (28/12/90)	785.5	783.7	798.8	806.2	935.90 (24/2)	778.30 (9/4)
FRANCE						
CAC General (31/12/82)	532.41	535.92	539.65	(c)	565.93 (12/5)	475.53 (2/1)
CAC 40 (31/12/87)	1920.84	1953.73	1962.23	(c)	2077.49 (11/5)	1749.91 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	710.99	711.83	713.60	(c)	725.26 (26/5)	643.26 (8/1)
Commerzbank (1/12/53)	2003.7	2005.6	2012.1	(c)	2043.80 (25/5)	1813.80 (8/1)
DAX (30/12/87)	1781.81	1789.76	1786.26	(c)	1811.57 (25/5)	1578.73 (8/1)
HONG KONG						
Hang Seng Bank (31/7/64)	5826.54	5917.50	5940.19	5978.75	6082.78 (27/5)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1353.42	1360.39	1368.79	1371.55	1469.57 (17/1)	1346.61 (3/4)
ITALY						
Banca Com. Ital. (1972)	477.37	481.07	480.84	481.08	551.59 (6/2)	472.72 (15/5)
MIB General (2/1/92)	941.0	949.0	946.0	949.0	1086.00 (5/2)	952.00 (15/5)
JAPAN						
Nikkei (16/5/49)	17789.05	17742.87	17846.04	17655.06	23801.18 (6/1)	16598.15 (9/4)
Tokyo SE (Topix) (4/1/68)	1345.54	1347.34	1346.99	1337.79	1763.43 (6/1)	1196.19 (9/4)
2nd Section (4/1/68)	1995.17	1997.10	2003.21	2001.13	2459.85 (6/1)	1910.56 (9/4)
MALAYSIA						
KLSE Composite (4/4/86)	(c)	589.52	584.67	585.39	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Tti.Rtn.Gen (End 1983)	312.6	314.6	314.9	(c)	324.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	213.9	215.3	215.5	(c)	215.50 (26/5)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	744.84	747.7	754.5	(c)	772.74 (18/5)	667.88 (25/2)
PHILIPPINES						
Manila Comp (2/1/85)	1580.95	1573.34	1568.25	1580.28	1588.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	(c)	407.65	402.58	402.92	416.99 (21/1)	378.13 (9/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1079.0	1079.0	1074.0	1082.0	1327.00 (21/1)	1006.00 (24/4)
JSE Industrial (28/9/78)	4642.0	4655.0	4680.0	4669.0	4689.00 (4/6)	4169.00 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	570.50	562.87	561.76	563.65	691.48 (8/2)	561.76 (9/6)
SPAIN						
Madrid SE (30/12/85)	249.27	251.34	250.87	253.80	266.51 (28/2)	238.93 (2/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	953.50	959.8	963.5	(c)	1014.50 (11/5)	913.70 (2/2)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	861.6	869.8	873.0	(c)	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	655.9	664.2	667.1	(c)	682.30 (11/5)	607.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	4597.19	4633.80	4526.65	4565.04	5391.63 (30/1)	4368.17 (11/5)
THAILAND						
Bangk SET (30/4/75)	737.23	687.38	684.47	703.26	832.39 (7/4)	667.84 (19/5)
WORLD						
M.S. Capital Intl.(1/1/70) (§)	502.1*	502.9	505.8	507.2	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	942.10	950.66	951.01	955.57	976.55 (25/5)	870.31 (2/1)

**Saturday June 6: Taiwan Weighted Price: (c), Korea Comp Ex. (c). *Calculated at 15.00 GMT.
§ Subject to official recalculation.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO – Most Active Stocks

Thursday 11th June 1992

	Stocks Traded	Closing Prices	Change on day
Meiji Milk Prod	13.2m	1,020	+25
Morinaga Milk	12.4m	904	+38
NPN Formula Fd.	8.2m	689	+48
Chiyoda Corp	6.7m	1,200	+70
Nissan Chm Inds	5.4m	775	+9
Toyo Menka	5.0m	429	+19
Jpn Storage Batt	4.9m	1,130	+50
Nippon Express	4.3m	734	+17
Fuji Heavy Inds	3.6m	373	+10
Ricoh Co	3.3m	546	+5

3:15 pm prices June 11

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
16¾	12⅛	AAR Corp	0.48	3.9	15	365	12⅞	d12	12⅜	+⅛
26	20⅝	A L Labs A	0.16	0.8	64	145	21⅞	21⅛	21⅛	-½
68¾	56	AMP Inc	1.62	2.6	23	1114	58½	58	58¼	-½
80¼	60⅞	AMR				1903501	63¼	62⅛	62¾	-⅛
2⅜	1⅜	ARX			2	6	1⅜	1⅜	1⅜	
53½	40¾	ASA	2.00	4.5	13	719	44⅞	43¾	44¾	+1
34¼	26⅝	Abbott Lab	0.60	2.3	19	2878	27½	d26⅞	26½	-½
13⅞	12	Abitibi Pr	0.42	3.1	9	19	13⅝	13½	13½	-⅛
11⅝	10⅛	ACM Gvt In x	0.96	8.7		629	11⅛	10⅞	11	
10⅞	9⅛	ACM GvOpp x	0.80	8.3		353	9⅝	9½	9⅝	
9½	8½	ACM Gvt Sp x	0.80	8.8		72	9⅛	9	9⅛	
11¼	10⅞	ACM Gvt Se	0.96	8.8		108	10⅞	10¾	10⅞	
9⅝	6⅝	ACM Man x	0.95	10.1		166	9½	9¼	9⅜	
12⅞	10⅝	ACM Mangd x	1.06	9.3		19	11⅜	11½	11⅝	
11¾	6¼	Acme Cleve	0.40	5.3	25	90	7⅝	7⅜	7½	
6¼	4½	Acme Elect			4	5	4⅜	4⅜	4⅜	
33¼	16⅞	Acuson			13	250	21½	21¼	21¼	-⅛
19½	18⅞	Adams Expr	0.48	2.6	0	33	18⅞	18¾	18¾	-⅛
49⅛	38¾	Ad Micro	3.00	7.5		70	40⅜	39¾	40	-⅛
21½	14½	Ad Micro P	3.00	19.0		63620	16	15⅝	15¾	
9⅛	5	Advest Grp	0.16	2.5	63	30	6⅜	6¼	6⅜	
71¾	66	Aegon ADR	3.39	5.0	6	73	68¼	68¼	68¼	
47	39⅜	Aetna Lf	2.76	6.8	7	950	41⅛	40⅜	40⅞	
12	8⅜	AHI A	0.24	2.2	12	267	10⅞	10¾	10¾	
32⅞	24	Aflac	0.44	1.5	14	429	28¾	28⅛	28¾	+⅛

[illegible]

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close	Chng
82 1/4	68 1/2	Xerox x	3.00	4.2		174407	71 3/8	70 1/4	71 1/2	+1/2
53 1/2	50 1/2	Xerox4.125 x				2	52 3/4	52 3/4	53	+1/4
28 1/2	24 7/8	Xtra 1.94	1.94	7.1		87	27 1/4	27 1/8	27 1/8	-1/8
37	28 1/2	Xtra Corp	0.80	2.3	12	90	34 3/4	34 5/8	34 3/4	+1/8
27	25 1/4	Yankee Egy x	1.66	6.4	11	2	26	26	26	
1 1/2	1/2	Zapata			49	91	1 1/8	1	1	
11 7/8	6 1/4	ZenithElec			5	504	7 1/2	7 1/4	7 1/2	+1/8
18 7/8	14 1/2	Zenith Nat	1.00	5.6	8	39	17 3/4	17 5/8	17 3/4	-1/8
7 3/8	6	Zenix Inc	0.85	12.6		145	6 7/8	6 5/8	6 3/4	
13 3/8	11	Zero Corp	0.40	3.5	18	106	11 1/2	11 3/8	11 1/2	-1/8
35	28 1/8	Zura Ind	0.88	3.0	32	525	29 1/4	d28 1/2	29 1/4	-1/8
14 7/8	12 1/4	Zweig Fund	1.16	9.7		645	12 1/8	d12	12	-1/8
11	9 1/2	Zweig Tot x	1.00	10.6		2165	9 5/8	d9 1/2	9 1/2	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices June 11

NASDAQ NATIONAL MARKET

3:00 pm prices June 11

- X - Y - Z -

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
Xilinx		21	3214	20 1/4	d18 3/4	19 1/4	-1
Xoma Corp		8	1882	14 1/2	13 3/4	14 1/4	+1/4
Yellow Fr	0.94	22	1307	27 1/8	26 3/4	27 1/8	-1/4
York Resh		5	790	5 3/4	5 3/4	5 3/4	
ZionsUtah	1.44	10	6	53 3/4	52	52	

AMERICA

Retail figures reinforce Dow's negative mood

Wall Street

THE reversal in US markets continued yesterday morning with share prices giving up ground for a third day, *writes Karen Zagor in New York.*

At 1 pm, the Dow Jones Industrial Average was 12.44 lower at 3,330.78 in volume of less than 113m shares. Other market indices also lost ground, with the Standard & Poor's 500 sliding 0.20 to 407.05, the Amex composite off 0.59 to 389.54 and the Nasdaq composite down 2.06 at 567.65. On Wednesday, the Dow fell 26.70 to 3,343.22 after dropping 34.21 on Tuesday.

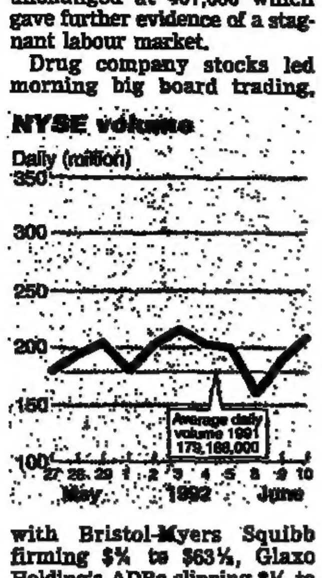
The market's recent negative sentiment was reinforced by the release of retail sales for May, which painted a picture of continued economic sluggishness. The sales report, following Tuesday's release of a sharp drop in April consumer borrowing, added to investors's concerns about the pace of economic recovery, which is already slower than earlier expectations.

May's retail sales came in only 0.2 per cent higher with analysts expecting an increase of about 0.7 per cent. Stripping out automobile sales in the month, sales were unchanged.

Also contributing to the equity market weakness was a report that jobless claims for the week ended May 30 were unchanged at 407,000 which gave further evidence of a stagnant labour market.

Drug company stocks led morning big board trading,

NYSE volume



with Bristol-Myers Squibb firming $⅝ to $63⅛, Glaxo Holding's ADRs slipping $¼ to $26¼, Merck rising $⅞ to $49 and Abbott Laboratories adding $⅛ to $27⅛.

The transportation sector continued to bear the brunt of concerns that the recent air fare wars would hurt airline company earnings, with the Dow Jones Transportation Average dropping 12.51 to 1,322.50 at 1 pm. Among airline issues, AMR, parent of American Airlines, fell $⅛ to $62⅝, Delta Air Lines dropped $⅝ to $56⅝ and USAir was off $¼ to $12¼. United Airlines bucked the trend, adding $⅝ to $116¼.

Burlington Northern, one of the biggest US railroad companies, fell $2⅞ to $38⅝ after an analyst at First Boston downgraded the rating on the stock from "buy" to "hold".

Mirage Resorts tumbled $2⅝ to $23⅝ after analysts at Salomon and Montgomery cut earnings estimates for the hotel-casino company.

Amdura, a manufacturer of industrial hardware, plummeted $4⅜ to $3⅜ after a delayed opening. The company said that it was hiring an investment banker to help with a possible debt restructuring. Amdura, which expects to turn in a loss of $1.07m for the quarter to March 31, said that a holder of 10.5 per cent of its common shares has recommended a capitalisation plan to cut the company's debt.

Canada

TORONTO reported gains in bank shares, and most other sectors either unchanged or slightly lower at midday, as the TSE 300 composite index rose 4.6 to 3,373.3.

Declines led advances by 260 to 171 in volume of 11.7m shares valued at C$133m. Bank of Montreal rose C$⅜ to C$44, Bank of Nova Scotia firmed C$⅛ to C$21⅛ and Canadian Imperial by C$⅜ to C$26.

Madrid stumbles but keeps its head

Tom Burns reports that Spain's austerity package has spurred the recent market rally

FOR Spaniards, who do not eat Danish bacon because their own *jamon serrano* is infinitely superior and who prefer their fried dough *churros* to any sophisticated Danish pastry, it was a shock to be tripped up by a country they knew little about and cared less.

Worse still was learning that the Danes, with their prosperous, well-balanced economy, had rejected the Maastricht treaty whose convergence criteria Spain, both deficit and inflation-prone, was making extraordinary efforts to meet.

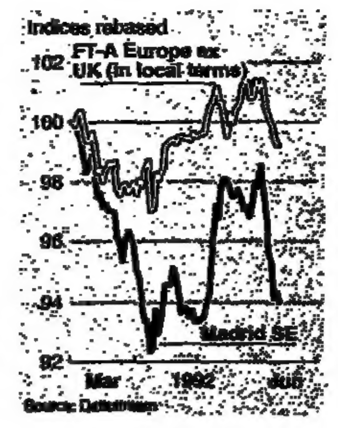
The mix of surprise and injured pride sent the the Spanish markets into a tailspin last week. Denmark's "no" to Maastricht all but wiped out a May rally which had raised Madrid's general index by more than 10 points and pushed it past the psychologically important 260 barrier.

Some brokers believed that the rally would continue and that the index's high this year – 266.5 at the end of February – was within reach. Then, after last week's referendum, they were like players on a football field where an unseen hand had moved the goalposts. The index closed 2.07 down yesterday at 249.27.

Foreigners did not think much of the domestic pitch either, and hammered the Spanish bond market, so depressing the 10-year bond to December 1991 levels.

But there are some who are managing to keep their heads while all about them are seemingly losing theirs. "The market is reacting with a quasi-panic which is quite out of proportion," says Mr Juan Cueto, head of research at Gestemar, Banco de Progreso's broking arm.

"Whether there is a [Maastricht] treaty or not, Spain's economy will continue to converge with those of northern Europe," says Mr Michael Hyman, the chief investment officer of GH Asset Management in London. "Spain is, without a doubt, one of the



most attractive investments in the EC."

Such upbeat perceptions owe a great deal to the austerity programme, appropriately known as the *Plan de Convergencia*, that the government has drawn up and has vowed to adhere to. Last month, it stuck to its guns on austerity when it endured a half-day general strike called by the unions against proposed cuts in unemployment benefit, which are central *to the programme.*

It was precisely this doggedness, together with *the fact* that the protest strike was only supported by some 34 per cent of workers, that spurred *the* May market rally. If the government manages to maintain its determined *battle against* inflation and public spending then, it is claimed, much of the havoc wrought upon the markets could be repaired.

Such thinking assumes that the economy is on course for recovery and that the government will deliver. This is more important now than ever because analysts are no longer looking at a Spain which is being cheered on by pan-EC convergence fever, but one which might well be left to its own devices.

The government had hoped to lower the fiscal deficit this year but, after reviewing spending during the first quarter, the Bank of Spain warned that the deficit could instead rise by half a point to stand at *5 per cent of* GDP by December. "1992 is going to be a write-off as far as deficit reduc*tions are concerned,*" says Mr Jaime de Pinies, chief of research at the Banco Santander de Negocios.

Mr Diego Prado, a *partner* at Carnegie España, believes that virtually the sole chance of a positive *signal* which might spark life into the domestic market lies with the 1992 budget. *Although this* will not be unveiled formally until October, its main outline is normally leaked *ahead of* the parliamentary recess at the end of July.

In the *absence of such* signals, there are brokers such as Mr Ramiro Mato, chief executive of Argentaria Capital, the equities division of the public sector financial services group, who believe that there will now be a possibly prolonged lull in the market, punctuated by the odd rally.

EUROPE

Bourses fall on extended weakness in US

THE EXTENDED weakness of Wall Street, and further worries over Maastricht left bourses generally weak yesterday, *writes OUr Markets Staff.*

PARIS lost another 1 per cent as the CAC-40 closed down 24.89 at 1,928.84 in good turnover of FFr3bn.

News that St Gobain was not planning a capital increase failed to filter into the market before the close, and the shares finished down FFr12.00 at FFr554.00.

Michelin had a poor day, off FFr7.60 at FFr207.40, having earlier touched FFr204. Some analysts said that this may have been due to the poor performance of Goodyear's stock in the US overnight.

The *dropping* of Eurotunnel from the FT-100 index in the UK depressed the stock, which closed FFr1.50 lower at FFr34.20, with the warrants 5 centimes down at 23 centimes. Meanwhile the theme park operator, Euro Disney, had a slightly better day, gaining 20 centimes to FFr114.20.

Schneider was again hard hit, losing FFr16.00 to FFr666.00, with the authorities saying that the recent sharp fall in the shares was to be investigated; and Casino's acquisition of therival stores group, Rallye, continued to weigh on sentiment as its shares dipped FFr7.80 to FFr157.90.

Lyonnaise des Eaux-Dumez was one of the few stocks to *buck the trend, gaining FFr6.00* to FFr543.00 following positive remarks at its annual meeting and news that it was to sell its stake in Havas.

FRANKFURT drifted lower again, the DAX ending down 7.95 at 1,781.81 after a 0.84 decline to 710.99 in the FAZ at midsession. Volume rose to DM5.3bn from DM4.9bn.

Big losers on the day included Lufthansa, Karstadt and MAN, down DM4.50 to DM125.50, DM15.50 to DM623.50 and DM4.80 to DM395 respectively. Karstadt produced the main news, including lower profits, flat DVFA earnings and optimism on 1992 prospects, but this came to nothing as Deutsche Bank's research unit lowered its earnings expectations for the retailer.

Lufthansa has been weak on the North Atlantic airfare price war and MAN, said dealers, was a victim of the futures market. Meanwhile, the flurry in Continental ended again, the tyremaker's shares falling DM5.50 to DM272.50.

MILAN suffered further embarassment as its computer-based trading system, on which 35 issues are listed, was turned off for the rest of the week by the regulator, Consob, following repeated breakdowns in the past few days.

Activity was further disturbed by a partial power failure, which switched off the automatic price transmission system. The Comit index fell another 3.70 to 477.37.

ZURICH was led down by financials again, the SMI index of leading shares losing 19.2 at 1,868.8, but the pharmaceuticals group, Roche, stood out against the trend with its bearers steady at SFr4,750 and its certificates only SFr10 lower at SFr3,310, ahead of a meeting with analysts today.

Mr Mark Tracey of Goldman Sachs said that the broker had put Roche certificates on its recommended *list, liking* a 1992 p/e of 15.7 against an estimated eps growth rate of 20 per cent per annum over the next five years. Mr Tracey says that Roche has the new products to give it double-digit volume growth prospects,*and scope for* an improvement in profit margins.

STOCKHOLM's banks recovered by 1.4 per cent as the Affärsvärlden General index fell another 6.3 to 953.5. Handelsbanken, whose results are due next week, rose SKr2 to SKr62.50.

The forestry group, SCA, closed SKr2 lower at SKr113 on profits lower than expected. However, the real estate and building sector was the main loser with a drop of 3 per cent.

OSLO saw various degrees of disappointment in the results from the insurer, Uni Storebrand, the holding company, Orkla, and the shipping company, Bergesen, which fell NKr2 to NKr45.50, NKr2.50 to *NKr160.50, and NKr1.50* to NKr106 respectively as the all share index closed 2.32 lower at 437.86.

COPENHAGEN hit a new low for the year, *writes Hilary Barnes*, the all share index fall*ing* 2.60 to 325.29. The index has lost 6.5 per cent since Denmark's referendum last week. Dealers *said* that banks led the fall yesterday, because of the steady drop in bond prices. *However, gloom over insurers* after UNI Storebrand's bad first-period results sector pushed down Baltica, which fell DKr55 to DKr525; and Hafnia, an earlier target for Uni's pan-Nordic ambitions, fell another DKr5 to DKr115.

AMSTERDAM's CBS Tendency index closed 0.8 lower at 129.6. Over-capacity in aluminium saw Hoogovens and Hunter Douglas both registering falls, of Fl 1.10 and 20 cents respectively to Fl 57.10 and Fl 68.80. A large sale of Philips stock by a foreign investor left *the shares 50 cents down at* Fl 37.70, while KLM weakened 60 cents to Fl 39.30 as the trans*atlantic price war begins to* bite.

FT-SE Eurotrack 100 - Jun 11

Hourly changes							
Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1169.60	1169.59	1166.57	1165.18	1164.53	1161.69	1161.78	1162.52
Day's High 1170.14				Day's Low 1161.15			

Jun 10	Jun 9	Jun 8	Jun 5	Jun 4
1174.58	1174.96	1177.48‡	1181.18	1184.92†

Base value 1000 (26/10/90). ‡ Partial † Indicative.

ASIA PACIFIC

Pacific Basin active as caution rules in Japan

Tokyo

CAUTIOUSNESS prevailed ahead of today's futures and options expiry, and share prices fluctuated within a narrow range in low volume, *writes Emiko Terazono in Tokyo.*

The Nikkei average lost 33.82 *to 17,709.05 after a high of* 17,885.69 and a low of 17,648.94. Volume fell to 230m shares from 270m.

Advances led declines by 461 to 444 with 192 unchanged. The Topix index of all first section stocks fell 1.70 to 1,345.54 and, in London, the ISE/Nikkei 50 index rose 2.28 to 1056.87.

According to the Tokyo Stock Exchange, arbitrage cash positions against the June futures fell for four consecutive weeks to Y379bn as of Wednesday. The amount is significantly lower than the position of Y640bn held against March contracts a week before expiry, and most market par*ticipants were optimistic about* the unwinding process.

Mr Yasuo Ueki at Nikko *Securities said: "Even if the* index declines, it will only be temporary, since institutions have indicated interest in buying at cheaper levels."

However, some traders maintained a cautious stance. "Although the balance of cash positions has become small, unwinding amid the low liquidity on the cash market could cause ugly results," said Mr Steve Claussen at SBCI Securities.

Some institutional investors joined short-term trading of speculative theme stocks by dealers. Meiji Milk Products, the most active issue of the day, rose Y26 to Y1,020 and Morinaga Milk advanced Y36 to the year's high of Y904.

Environmental stocks were also higher, with Chiyoda, the plant engineer, up Y70 to Y1,900 and Japan Storage Battery advancing Y50 to Y1,130.

Nippon Formula Feed, the livestock feedstuff manufacturer, rose Y50 to Y1,130.

Nippon Express, the parcel *delivery company, rose* Y17 to Y734 on buying by foreign investors. Nippon Express posted a 30 per cent rise in pre-tax profits for the last fiscal year, and expects a modest rise in profits this year.

Banking issues were lower, with trust banks posting sharp falls. Trust banks face deteriorating loan portfolios and a decline in margin fees due to the fall in the stock and real estate markets. Moody's Investment Service, the US credit agency, this week lowered debt ratings of four of the seven trust banks. Mitsui Trust and Banking fell Y28 to a year's low of Y740, while Mitsubishi Trust and Banking fell Y21 to Y888.

In Osaka, the OSE average *declined 57.89 to 20,541.80* in volume of 14.9m shares.

Roundup

SINGAPORE, Kuala Lumpur and Jakarta were all closed for public holidays yesterday, while Bombay closed its doors again to facilitate settlement work.

BANGKOK soared in heavy turnover of Bt11.6bn, the SET index gaining 49.85, or 7.3 per cent to 737.23 on the reappointment of Anand Panyarachun as prime minister, with many shares closing up at their 10 per cent ceiling limits.

MANILA stayed strong on the sentiment which has lifted the composite index to new highs, the latest yesterday, since last month's presidential election. The composite index rose 7.61 to 1,580.95 ahead of today's Independence Day holiday.

SEOUL extended Wednesday's minor rebound from Tuesday's 1992 low, the com*posite index closing 7.63 higher* at 570.50 in volume up from Won207bn to Won270bn. Share prices were *lifted* by technical factors and improved sentiment.

Senior markets were less sanguine, **HONG KONG** closing sharply lower on weakness on Wall Street, and profit-taking, while **AUSTRALIA** hit its lowest close for six weeks, with banks leading the way down.

Renewed weakness in HSBC, parent of the Hongkong Bank, dragged down the Hang Seng index which closed 90.96 lower at 5,896.54. Rumours of possible rights issues by Cheung Kong or affiliate Hutchison Whampoa also hit the market. HSBC fell HK$1.25 to HK$44.25, Cheung Kong by 30 cents to HK$25.50 and Hutchison by 40 cents to HK$18.60.

Australian brokers said that *dividend stripping* of banking stocks boosted volumes to a total of 127.2m shares worth A$397.8m. The banking sector fell 34.6, or 1.65 per cent to 2,058.3.

SOUTH AFRICA

JOHANNESBURG's industrial shares fell sharply on news that the ANC was planning anti-government demonstrations next week. The index tumbled 42 to 4,611 while the gold index shed 3 to 1,076. The overall index lost 19 to 3,711.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JUNE 10 1992								TUESDAY JUNE 9 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (69)	151.98	−0.7	122.89	122.53	125.87	132.72	−0.4	4.11	153.09	123.82	123.48	126.55	133.28	153.88	140.94	136.95
Austria (19)	173.62	−0.7	140.39	139.99	143.80	144.04	−0.4	2.04	174.93	141.49	141.09	144.60	144.57	186.70	162.48	194.57
Belgium (46)	143.50	−0.4	116.08	115.69	118.84	116.07	−0.2	5.26	144.00	116.47	116.14	119.04	116.30	146.19	135.87	129.22
Canada (115)	126.93	−1.0	102.64	102.33	105.11	109.83	−0.8	3.34	128.15	103.65	103.36	105.93	110.75	142.12	125.60	141.55
Denmark (35)	237.06	−0.5	191.69	191.14	196.33	198.13	−0.4	1.86	238.17	192.64	192.11	196.88	198.98	273.94	226.81	238.70
Finland (15)	76.40	−1.5	61.78	61.60	63.28	69.69	−1.0	2.03	77.60	62.77	62.60	64.15	70.38	89.80	73.64	108.19
France (104)	161.94	−0.5	130.95	130.56	134.11	136.22	−0.4	3.45	162.81	131.69	131.31	134.58	136.76	166.75	148.06	132.76
Germany (65)	123.73	−0.5	100.05	99.77	102.47	102.47	−0.3	2.26	124.30	100.54	100.27	102.75	102.75	124.92	114.67	110.44
Hong Kong (55)	248.71	−0.4	201.11	200.52	205.99	246.99	−0.4	3.32	249.71	201.97	201.40	206.42	247.88	254.67	176.36	151.60
Ireland (16)	157.06	−1.1	127.00	126.63	130.08	131.89	−0.9	4.12	158.74	128.40	128.04	131.22	133.10	173.71	151.78	146.70
Italy (78)	70.44	+0.2	56.96	56.79	58.33	63.34	+0.3	3.29	70.28	56.84	56.68	58.09	63.15	80.86	66.39	78.46
Japan (473)	103.74	+0.0	83.88	83.64	85.93	83.64	+0.0	1.02	103.69	83.87	83.64	85.73	83.64	140.95	88.70	130.38
Malaysia (69)	236.48	+0.6	191.22	190.65	195.84	229.69	+0.7	2.71	235.13	190.18	189.64	194.36	228.20	250.18	212.49	235.69
Mexico (18)	1631.12	−1.4	1318.94	1315.11	1350.89	5557.90	−1.3	1.03	1654.23	1337.99	1334.27	1367.45	5630.32	1789.77	1376.91	1026.71
Netherland (25)	163.43	−0.3	132.15	131.76	135.35	133.81	−0.1	4.20	163.98	132.63	132.26	135.55	134.00	163.98	147.88	135.41
New Zealand (14)	46.57	−1.6	37.66	37.55	38.57	45.49	−1.2	5.62	47.32	38.27	38.17	39.12	46.05	48.52	42.01	47.00
Norway (23)	184.34	−1.2	149.06	148.63	152.67	155.81	−0.9	1.63	186.55	150.88	150.47	154.21	157.17	192.95	161.26	193.79
Singapore (38)	226.73	+1.5	183.33	182.80	187.77	169.99	+1.5	1.95	223.42	180.71	180.21	184.68	167.46	228.43	192.76	202.61
South Africa (61)	246.27	+0.5	199.14	198.56	203.96	187.72	−0.4	2.73	245.16	198.29	197.73	202.65	188.52	263.60	203.16	223.53
Spain (50)	154.71	+0.3	125.10	124.74	128.13	117.50	+0.3	5.18	154.22	124.74	124.40	127.48	117.13	161.72	148.86	154.87
Sweden (27)	195.51	−0.2	158.09	157.63	161.92	166.42	−0.1	2.68	195.82	158.38	157.95	161.87	166.54	200.26	173.09	187.19
Switzerland (61)	106.94	−0.1	86.47	86.22	88.57	96.29	−0.4	2.24	107.09	86.62	86.38	88.53	96.66	108.17	95.98	90.49
United Kingdom (228)	194.37	+0.1	157.17	156.70	160.96	157.17	+0.0	4.76	194.23	157.10	156.65	160.54	157.10	200.07	165.85	165.87
USA (522)	165.93	−0.7	134.17	133.79	137.43	165.93	−0.7	3.01	167.07	135.13	134.76	138.11	167.07	171.66	160.92	152.57
Europe (792)	153.88	−0.1	124.43	124.07	127.45	126.74	−0.1	3.87	154.10	124.64	124.29	127.38	126.87	158.88	139.31	135.45
Nordic (100)	180.12	−0.4	145.64	145.22	149.17	146.88	−0.3	2.22	180.88	146.30	145.90	149.53	147.15	188.52	169.66	180.44
Pacific Basin (716)	110.16	+0.0	89.07	88.82	91.23	89.86	+0.0	1.38	110.16	89.10	88.86	91.07	89.87	141.97	94.40	131.11
Euro – Pacific (1510)	127.87	−0.1	103.39	103.09	105.89	105.13	−0.1	2.58	127.96	103.50	103.20	105.77	105.19	145.21	113.80	133.16
North America (637)	163.48	−0.7	132.19	131.82	135.42	162.11	−0.7	3.02	164.62	133.15	132.80	136.11	163.24	169.69	158.70	151.80
Europe Ex. UK (564)	129.71	−0.3	104.89	104.60	107.45	109.16	−0.2	3.20	130.11	105.24	104.97	107.58	109.38	131.77	121.81	116.84
Pacific Ex. Japan (245)	173.38	−0.3	140.20	139.82	143.61	153.79	−0.2	3.51	173.91	140.66	140.29	143.77	154.03	175.31	149.00	138.02
World Ex. US (1704)	130.12	−0.1	105.22	104.92	107.77	107.51	−0.1	2.59	130.26	105.36	105.07	107.68	107.62	146.91	116.45	134.87
World Ex. UK (1998)	136.20	−0.4	110.14	109.82	112.82	122.33	−0.4	2.49	136.73	110.59	110.29	113.04	122.80	150.58	127.21	137.33
World Ex. So. Af. (2165)	140.52	−0.3	113.63	113.31	116.39	125.02	−0.3	2.76	141.00	114.05	113.74	116.57	125.43	153.05	130.04	139.30
World Ex. Japan (1753)	162.29	−0.6	131.23	130.86	134.43	149.67	−0.4	3.34	163.03	131.87	131.51	134.79	150.34	165.40	153.20	146.17
The World Index (2226)	141.22	−0.3	114.19	113.86	116.96	125.58	−0.3	2.76	141.69	114.60	114.29	117.13	126.00	153.70	130.68	139.83

Constituent change with effect 12/6/92: Deletion: Dowty Group (U.K.). Latest prices were unavailable for this edition.